

COUNCIL'S VISION

Gnowangerup Shire – A thriving, inclusive and growing community built on opportunity



SHIRE OF GNOWANGERUP

MINUTES

Audit Committee

Thursday 27th September 2018
Commenced at 4:35pm

Council Chambers
28 Yougenup Road
GNOWANGERUP WA 6335

COUNCIL'S VISION

Gnowangerup Shire – A thriving, inclusive and growing community built on opportunity

Shire of Gnowangerup

NOTICE OF COMMITTEE MEETING OF COUNCIL

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Thursday 27th September 2018, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 5:00 pm.

.....

S Pike

CHIEF EXECUTIVE OFFICER

Meaning of and CAUTION concerning Council's "In Principle" support:

When Council uses this expression it means that:

(a) Council is generally in favour of the proposal BUT is not yet willing to give its consent; and

(b) Importantly, Council reserves the right to (and may well) either decide against the proposal or to formally support it but with restrictive conditions or modifications.

Therefore, whilst you can take some comfort from Council's "support" you are clearly at risk if you act upon it before Council makes its actual (and binding) decision and communicates that to you in writing.

Disclaimer:

"Warning - Verbal Information & Advice:

Given the inherent unreliability and uncertainty that surrounds verbal communication, the Shire strongly recommends that, if a matter is of importance to you, then you should NOT act upon or otherwise rely upon any VERBAL information or advice you receive from the Shire unless it is first confirmed in writing."

COUNCIL'S VISION

Gnowangerup Shire – A thriving, inclusive and growing community built on opportunity

TABLE OF CONTENTS

1. OPENING	1
2. ATTENDANCE / REGRETS	1
2.1 ATTENDANCE.....	1
2.2 APOLOGIES.....	1
3. CONFIRMATION OF PREVIOUS MEETING MINUTES	1
3.1 AUDIT COMMITTEE MEETING MINUTES HELD 28 th MARCH 2018.....	1
4. OFFICER ITEMS	2
4.1 SHIRE OF GNOWANGERUP AUDIT COMMITTEE TERMS OF REFERENCE.....	2
4.2 LOCAL GOVERNMENT (AUDIT) REGULATION 17 REVIEW.....	18
5. CLOSURE	93

AGENDA

1. OPENING OF MEETING

Presiding Member Keith House, welcomed Committee Members and Staff and opened the meeting at 4:35pm.

2. ATTENDANCE/APOLOGIES

2.1 ATTENDANCE

Cr Keith House

Shire President

Cr Fiona Gaze

Deputy Shire President

Cr Richard House

Cr Lex Martin

Cr Frank Hmeljak

Cr Greg Stewart

Cr Shelley Hmeljak

Shelley Pike

Chief Executive Officer

Vin Fordham Lamont

Deputy Chief Executive Officer

Anrie van Zyl

Corporate Support Officer

2.2 APOLOGIES

Cr Ben Moore

Cr Chris Thomas

3. CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1 AUDIT COMMITTEE MEETING MINUTES 28th MARCH 2018

COMMITTEE RESOLUTION

Moved: Cr S Hmeljak

Seconded: Cr F Gaze

AC0918.04 That the minutes from Audit Committee meeting held on 28th March 2018 be confirmed as true and correct.

UNANIMOUSLY CARRIED: 7/0

4. OFFICER ITEMS

4.1 SHIRE OF GNOWANGERUP AUDIT COMMITTEE TERMS OF REFERENCE

Location:	Shire of Gnowangerup
Proponent:	N/A
File Ref:	
Date of Report:	17 th July 2018
Business Unit:	Strategy and Governance
Officer:	V Fordham Lamont
Disclosure of Interest:	Nil

ATTACHMENTS

- Draft Terms of Reference
- Department of Local Government, Sport & Cultural Industries Circular No. 02-2018
- Department of Local Government, Sport & Cultural Industries Guide to Local Government Auditing Reforms – June 2018

PURPOSE OF THE REPORT

For the Audit Committee to note the recent Local Government Auditing Reforms and recommend that Council adopts an updated Audit Terms of Reference, which covers the changes to Local Government (Audit) and (Financial Management) Regulations.

BACKGROUND

Section 7.1A. (Audit committee) of the Local Government Act 1995 states:

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

Although the requirement for a Terms of Reference is not mandated in law, it is good governance practice that ensures the Committee's role and scope of its activity is clearly stated by Council and understood by the Committee members.

Amendments to the Local Government (Audit) and (Financial Management) Regulations were gazetted on 26 June 2018 and the Department subsequently published a circular and guide (see attached) detailing the implications of the Regulatory amendments. WALGA also advised local governments to review Audit Committee Terms of Reference to ensure alignment with the amended regulations.

COMMENTS

Shire officers read the attached circular and guide and then reviewed the updated *Local Government (Audit) and (Financial Management) Regulations 1996*. They then proceeded to draft a new Terms of Reference document, which includes all the functions of an audit committee as per Local Government (Audit) Regulation 16.

CONSULTATION

Nil

LEGAL AND STATUTORY REQUIREMENTS

Nil

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Shire of Gnowangerup Strategic Community Plan 2017 -2027.

Theme 4 A Sustainable and Capable Council.

Objective 2 To have a highly skilled and effective Council that represents the best interests of the community.

Strategic Initiative 3.1 Ensure elected body has a comprehensive understanding of its roles and responsibilities.

RISK MANAGEMENT CONSIDERATIONS:

Primary risk category: Corporate Governance

Secondary category: Ineffective Council/Committees

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The Deputy CEO and CEO have discussed the draft Terms of Reference and concluded that it aligns with the recently updated *Local Government (Audit) Regulations 1996 and Local Government (Financial Management) Regulations 1996*.

VOTING REQUIREMENTS

Simple majority

OFFICERS RECOMMENDATION:

Moved: Cr S Hmeljak

Seconded: Cr F Gaze

AC0918.05 That the Audit Committee:

Recommends Council adopt the Audit Committee Terms of Reference as presented.

UNANIMOUSLY CARRIED: 7/0

Heart of the Stirlings



SHIRE OF GNOWANGERUP

AUDIT COMMITTEE

TERMS OF REFERENCE

11 July 2018

Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of external financial reporting;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of all elected members of Council. All members shall have full voting rights.

The CEO and employees are not members of the committee.

The CEO and senior staff attend meetings to provide advice and guidance to the committee.

The Presiding Member and Deputy Presiding Member must be elected in accordance with section 5.12 and Schedule 2.3 of the Act.

Meetings

The committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the Presiding Member.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council and must be moved by the Presiding Member, or in his/her absence the Deputy Presiding Member, or in both their absences, any other member of the committee.

Functions of the Audit Committee

The functions of the committee, pursuant to Reg. 16 of the *Local Government (Audit) Regulations 1996* will be to:

- a) guide and assist the local government in carrying out its functions:
 - i. under Part 6 (Financial Management) of the Act; and
 - ii. relating to other audits and other matters related to financial management;
- b) guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 (Audit) of the Act;
- c) review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to:
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO's report to the council;
- d) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
 - i. regulation 17(1); and
 - ii. the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- e) support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- f) oversee the implementation of any action that the local government:
 - i. is required to take by section 7.12A(3) of the Act; and
 - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) of the Act; and
 - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- g) perform any other function conferred on the audit committee by these regulations or another written law.



Our Ref: E1817068

TO ALL LOCAL GOVERNMENTS

CIRCULAR N^o 02-2018

GUIDE TO LOCAL GOVERNMENT AUDITING REFORMS – JUNE 2018

Following engagement with the sector, the Department has revised the [Guide to Local Government Auditing Reforms](#) which includes a number of amendments that affect local governments.

The amendments result from the transition of responsibility for oversight of local government audits to the Office of the Auditor General.

In September 2017, the Department provided advice in [Circular 16-2017](#) regarding proposed changes to the conduct of local government audits and financial management.

Following consultation with local government in line with the State Local Government Partnership Agreement, the proposed amendments to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations) 1996* were revised and gazetted on Tuesday, 26 June 2018.

The key changes affecting local government are as follows:

- From 1 July 2018, an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition is under \$5,000. CEOs must take all reasonable steps to prevent the theft or loss of non-consumable portable and attractive items valued under \$5,000.
- From 27 June 2018, local governments will be required to conduct a review of their audit systems and procedures, and their financial management systems no less than every three years. Previously local governments were required to conduct these reviews no less than every two years and four years respectively.

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- From 27 June 2018 local governments will be required to revalue an asset whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.
- From 27 June 2018, the role of the audit committee has been strengthened to assist the CEO to carry out the reviews of audit systems. The Audit Committee's responsibilities have also been extended to 'monitor and advise' the CEO in reviews conducted into financial management systems and audit systems and procedures. The Audit Committee will also support the auditor as required and have functions to oversee the implementation of audit recommendations made by the auditor, which have been accepted by council; and accepted recommendations arising from reviews of local government systems and procedures.

The Guide to Local Government Auditing Reforms – June 2018 replaces the earlier guide released in September 2017 and is available on the department's website at www.dlgsc.wa.gov.au.



Duncan Ord OAM
DIRECTOR GENERAL

28 June 2018



Department of
**Local Government, Sport
and Cultural Industries**

A Guide to Local Government Auditing Reforms - June 2018

Contents

A Guide to Local Government Auditing Reforms – June 2018	6
Introduction	6
Changes to the Local Government Act 1995 made in 2017	6
Auditor General will be responsible for financial and supplementary audits.....	6
New category of audits: performance audits	7
Publication of financial reports	7
Local government duties with respect to audits	8
Amendments to the Local Government (Financial Management) Regulations 1996.....	8
Timeframe for review of financial management systems	8
Timeframe for local governments to revalue assets.....	8
Assets values under \$5,000	8
Amendments to the Local Government (Audit) Regulations 1996	9
Role of the Audit Committee	9
Role of the council assisting the auditor	10
Timeframe for reviewing audit systems and procedures	10
Compliance Audit Return	10
For more information, please contact:	11

June 2018

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All or part of this document may be copied. Due recognition of source would be appreciated. If you would like more information please contact the Department of Local Government, Sport and Cultural Industries.

A Guide to Local Government Auditing Reforms – June 2018

Introduction

On 24 August 2017, amendments to the *Local Government Act 1995* were passed by State Parliament that will enable the Auditor General to audit council finances and performance.

The changes to the Act have been supported by amendments to the Local Government *Local Government (Financial Management) Regulations 1996* and *Local Government (Audit Regulations)* gazetted on Tuesday, 26 June 2018,

Unless otherwise specified, the changes to the regulations commence on 27 June 2018. Regulations 13 and 14 of the *Local Government (Financial Management) Regulations 1996* commence on 1 July 2018.

This guide has been prepared by the Department of Local Government, Sport and Cultural Industries (the Department) to inform local governments and auditors about the changes and replaces the guide published in September 2017.

Changes to the *Local Government Act 1995* made in 2017

Auditor General will be responsible for financial and supplementary audits

The reforms made in 2017 have expanded the Auditor General's scope of powers to undertake and report on local government financial audits and provide for the independent oversight of the local government sector.

The Auditor General will take over responsibility for financial audits on a transitional basis as existing audit contracts expire. From 2020-21, all local governments will be audited by the Auditor General, regardless of whether their auditing contracts have expired.

The Department has received advice that this termination requirement will not expose the State, the Director General, or local governments to any liability if audit contracts are cancelled as a result of the changes.

A local government may not appoint a person to be its auditor.

The Auditor General will be able to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General.

As is currently the case, local governments will be responsible for meeting the costs of financial audits. The Auditor General will determine the fees for a financial audit.

The Department has published the status of each local government's audit arrangements. This will provide transparency so that members of the community are aware of whether or not the Auditor General has responsibility for a local government audit.

Amendments mean that regional subsidiaries and regional councils will be audited by the Auditor General in the same way as local governments. The Auditor General will have the power to dispense with a financial audit of a local government or regional subsidiary where the Auditor General believes this is appropriate.

The Auditor General must consult with the Minister for Local Government before exercising this power. This could be used, for example, if a regional council has ceased to operate but has not yet been wound up. If this power is exercised, the Auditor General must notify the Public Accounts Committee and the Estimates and Financial Operations Committee of Parliament.

The Auditor General must give the report on the financial audit to the Mayor / President of the local government, the CEO of the local government, and the Minister for Local Government.

New category of audits: performance audits

The 2017 reforms introduced a new category of audits: performance audits. These audits examine the economy, efficiency, and effectiveness of programs and organisations, including compliance with legislative provisions and internal policies.

The new legislation gives the Auditor General the power to conduct such audits, which may focus on a particular issue or theme, such as procurement practices, and may include individual or multiple local governments and related bodies. This is in line with the approach adopted in other jurisdictions and with what applies to State Government agencies. Performance audits will be paid for by the State Government.

The Auditor General publishes its audit program on the Auditor General's website.

Performance audit reports are submitted to both Houses of Parliament for the Public Accounts Committee and the Estimates and Financial Operations Committee. The report is also provided to the relevant local governments.

Publication of financial reports

Commencing with their 2017-18 annual report, local governments will be required to publish the annual report, including audit reports on the local government's official website within 14 days after the report has been accepted by the local government.

Local governments will be required to publish their annual report online regardless of who undertakes the audit.

Local government duties with respect to audits

Legislation now requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

Local governments must prepare a report addressing the significant matters identified in the report and state what action the local government has taken or intends to take. This report must be provided to the Minister within three months of receiving the audit report. Within 14 days after the local government gives the report to the Minister, the CEO must publish a copy of the report on its official website.

Amendments to the Local Government (Financial Management) Regulations 1996

The following amendments to the *Local Government (Financial Management) Regulations 1996* have been made.

Timeframe for review of financial management systems

Regulation 5 regarding the CEO's duties as to financial management has been amended to require the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures from no less than once in every four financial years to no less than three financial years. This change in combination with amendments to the provisions in the Audit Regulations related to reviewing auditing systems, will achieve greater consistency.

Timeframe for local governments to revalue assets

Regulation 17A(4) has been amended to require a local government to revalue an asset:

- whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and
- in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.

These changes have been introduced to achieve greater consistency with the Australian Accounting Standards.

Assets values under \$5,000

Amendments to Regulation 17A excludes assets valued under \$5,000. This regulation commences on 1 July 2018.

Regulation 17B requires the CEO to take steps to protect excluded portable and attractive assets. This regulation requires a CEO to take all reasonable steps to prevent the theft or loss of non-consumable assets that are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

The language of this requirement is consistent with State Government requirements contained in Treasurer's Instruction 410 Record of Assets and has been revised following consultation with the local government sector.

A property register for portable and attractive items may be an appropriate means to properly record portable and attractive assets. The steps necessary to protect portable and attractive assets are a decision for each local government CEO.

Terminology

Amendments to the terminology used in the *Local Government (Financial Management) Regulation 1996* have been made to achieve consistency with the Australian Accounting Standards:

1. the statement from the CEO specified in Schedule 2 Form 1 has been modified replacing the part that states that annual financial report is in the opinion of the CEO properly drawn, with a statement that the annual financial report is 'based on proper accounts and records.'
2. clarification that the annual financial report complies with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Amendments to the Local Government (Audit) Regulations 1996

Role of the Audit Committee

With the transfer of auditing to the Auditor General, local government Audit Committees will have a new and important role.

The role of the Audit Committee has been amended so that the Audit Committee has greater involvement in assisting the CEO to carry out the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance. The Audit Committee is empowered to 'monitor and advise' the CEO in reviews of certain systems prescribed by the audit and financial management regulations. The terms 'monitor and advise' have been selected following consultation with the sector.

The reforms are intended to help CEOs formulate recommendations to council to address issues identified in the reviews.

The Audit Committee will also support the auditor as required and have functions to oversee:

- the implementation of audit recommendations made by the auditor, which have been accepted by council; and
- accepted recommendations arising from reviews of local government systems and procedures.

These roles reflect the importance of the Audit Committee as a section of council charged with specific responsibilities to scrutinise performance and financial management. The regulations continue to allow for external membership of Audit Committees. Councils are encouraged to consider inviting appropriate people with expertise in financial management and audit to be members of their Audit Committee.

Role of the council assisting the auditor

Local governments are required to provide the auditor with a copy of their Strategic Community Plan, Corporate Business Plan or another plan or informing strategy. The powers to request documentation are consistent with the Auditor General's powers to request information of State Government agencies when conducting audits.

Timeframe for reviewing audit systems and procedures

An amendment to Regulation 17(2) requires the CEO to undertake a review of audit systems and procedures no less than once in every three financial years. This change will introduce consistency in CEO responsibilities to review financial management and audit systems and procedures in a timely manner.

Compliance Audit Return

Questions regarding the adoption of Integrated Planning and Reporting documents have been included as fields in the Compliance Audit Return.

Terminology

The following amendments for the terminology used in the Audit Regulations have been made:

- references to Executive Director have been replaced by Departmental CEO to reflect Machinery of Government changes; and
- references to the conduct of audits in regulation 9 have been updated to reflect language used in the Australian Accounting Standards.

For more information, please contact:

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4.2 LOCAL GOVERNMENT (AUDIT) REGULATION 17 REVIEW

Location:	Shire of Gnowangerup
Proponent:	N/A
File Ref:	
Date of Report:	25 th June 2018
Business Unit:	Strategy and Governance
Officer:	V Fordham Lamont
Disclosure of Interest:	Nil

ATTACHMENTS

- LGIS Review of Risk Management - Appropriateness & Effectiveness
- Darren Long Consulting Review of Legislative Compliance and Internal Controls

PURPOSE OF THE REPORT

For the Audit Committee to note the results of the Chief Executive Officer's review of the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996 and refer it to Council for adoption.

BACKGROUND

Regulation 17(1) requires the Chief Executive Officer (CEO) of a local government to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) Risk management;
- (b) Internal control; and
- (c) Legislative compliance.

Regulation 17(2) states that the review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

The previous review was conducted internally in 2016 and Officers decided that it was appropriate to have the review undertaken externally in 2018. Darren Long Consulting was asked to carry out the review in relation to internal control and legislative compliance while LGIS agreed to review risk management.

COMMENTS

Darren Long's report summary was that:

"The review of the Legislative Compliance and Internal Control mechanisms developed by the Shire of Gnowangerup indicates that, except for those matters identified in the findings and recommendations section of this report, they are appropriate and effective for the particular operations and size of the local government."

The report summary from LGIS stated:

"Notwithstanding the recommendations in this report, the Shire's risk management systems and procedures are considered appropriate and effective for the size, scale and resourcing constraints of the Shire."

A large number of recommendations were made in the two reports and it is management's philosophy to action as many of those recommendations as resources allow with the following conditions:

- only those recommendations that will result in compliance breaches if not actioned; and
- only those recommendations that will result in appropriate and effective systems for the Shire.

Refer to the attached reports to view all the individual recommendations.

CONSULTATION

N/A

LEGAL AND STATUTORY REQUIREMENTS

Local Government (Audit) Regulations 1996

- Reg 16(c);
- Reg 17

POLICY IMPLICATIONS

2.11 Risk Management Policy

2.14 Business Continuity Management Policy

FINANCIAL IMPLICATIONS

Nil. All recommendations will be actioned in-house except for those which will be included in the 2018/19 budget.

STRATEGIC IMPLICATIONS

Shire of Gnowangerup Strategic Community Plan 2017 -2027

Theme 4 A Sustainable and Capable Council

Objective 3 Improve the capability and capacity of the Shire

Strategic Initiative 3.1 Improve organisational systems with a focus on innovative solutions

RISK MANAGEMENT CONSIDERATIONS:

The high-level recommendations from this review cover:

- Governance – Review and consolidation of the Risk Management Framework to remove duplication and allow a more flexible approach to incorporate all risk context areas. Provide the Audit Committee with regular 'risk reports' to support their oversight responsibilities in regards to risk management.
- Risk Profiling – Consolidate the existing operational risks with the view to reducing profile numbers whilst maintaining the spectrum. Ensure the capture of identified strategic and project risks into the existing reporting format to enhance a holistic approach to risk management.

IMPACT ON CAPACITY

There are a large number of recommendations in the two reports. Some degree of Officer's time will be required to action these recommendations. Having said that, many of the recommendations relate to the development of policies and these will be done as part of the Review of Policies/Procedures in 2018/2019.

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

N/A

CONCLUSION

The CEO has discussed the two reports with the Executive Management Team, and Officers have been advised to work through the recommendations to improve the Shire's systems in regards to risk management, internal control and legislative compliance.

VOTING REQUIREMENTS

Simple majority

OFFICERS RECOMMENDATION:

Moved: Cr R House

Seconded: Cr F Hmeljak

AC0918.06 That the Audit Committee:

Note the results of the Chief Executive Officer's review of the appropriateness and effectiveness of the Shire's systems in regards to risk management, internal control and legislative compliance under Regulation 17 of the Local Government (Audit) Regulations 1996 and refer it to Council for adoption.

UNANIMOUSLY CARRIED: 7/0



Review of Legislative Compliance and Internal Controls 2018

Heart of the Stirlings



SHIRE OF GNOWANGERUP

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CONTENTS

EXECUTIVE SUMMARY	i
<i>Introduction.....</i>	<i>i</i>
<i>Purpose Of Legislative Compliance And Internal Control Systems.....</i>	<i>i</i>
<i>Review Context.....</i>	<i>i</i>
<i>Findings.....</i>	<i>ii</i>
<i>Recommendations.....</i>	<i>v</i>
<i>Opinion.....</i>	<i>vii</i>
1.0 INTRODUCTION.....	1
1.1 <i>Background.....</i>	<i>1</i>
1.2 <i>Purpose of Report.....</i>	<i>1</i>
1.3 <i>Methodology.....</i>	<i>1</i>
2.0 PURPOSE OF LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS SYSTEMS. 2	2
2.1 <i>Legislative Compliance Systems.....</i>	<i>2</i>
2.2 <i>Internal Control Systems</i>	<i>2</i>
3.0 REVIEW CONTEXT.....	4
3.1 <i>Risk Appetite and Tolerance.....</i>	<i>4</i>
3.2 <i>Internal and External Context.....</i>	<i>5</i>
4.0 LEGISLATIVE COMPLIANCE SYSTEMS.....	6
4.1 <i>Internal Monitoring of Compliance with Legislation and Regulations.....</i>	<i>6</i>
4.2 <i>Annual Compliance Audit Return and Reporting to Council the results of that Review.....</i>	<i>8</i>
4.3 <i>Staying Informed about how Management is Monitoring the Effectiveness of its Compliance and making recommendations for change as necessary.....</i>	<i>9</i>
4.4 <i>Review whether the local government has procedures for it to receive, retain, and treat complaints, including confidential and anonymous employee complaints.....</i>	<i>12</i>
4.5 <i>Obtain assurance that adverse trends are identified and review managements' plans to deal with these.....</i>	<i>14</i>
4.6 <i>Review management disclosures in financial reports of the effect of significant compliance issues.....</i>	<i>15</i>
4.7 <i>Review whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the Audit Committee.....</i>	<i>16</i>
4.8 <i>Consider the Internal Auditors' role in assessing compliance and ethics risks in their internal audit plan.....</i>	<i>17</i>
4.9 <i>Assess the Local Governments' Compliance Framework dealing with Relevant External Legislation and Regulatory Requirements.....</i>	<i>17</i>
4.10 <i>Review Audit Committee's processes and procedures regarding compliance with legislation and regulatory requirements imposed on members, including not misusing their position to gain and advantage for themselves or another, or cause detriment to the local government, and disclosing conflicts of interest.....</i>	<i>19</i>
5.0 INTERNAL CONTROL SYSTEMS	21
5.1 <i>Separation of Roles and Functions, Processing and Authorisation.....</i>	<i>21</i>
5.2 <i>Control of Approval of Documents, Letters and Financial Records.....</i>	<i>23</i>
5.3 <i>Comparison of Internal Data with External Sources of Information.....</i>	<i>25</i>
5.4 <i>Limit of Direct Physical Access to Assets and Records.....</i>	<i>25</i>

5.5	<i>Control of Computer Applications and Information Systems Standards</i>	27
5.6	<i>Limit Access to Make Changes in Data Files and Systems</i>	28
5.7	<i>Regular Maintenance and Review of Financial Control Accounts and Trial Balances</i>	29
5.8	<i>Comparison and Analysis of Financial Results with Budgeted Amounts</i>	31
5.9	<i>Arithmetical Accuracy and Content of Records is Regularly Checked</i>	32
5.10	<i>Report, Review and Approval of Financial Payments and Reconciliations</i>	33
5.11	<i>Comparison of the Result of Physical Cash and Inventory Counts with Accounting Records</i> ...	34
6.0	FINDINGS	37
7.0	IMPROVEMENT RECOMMENDATIONS	41
8.0	OPINION	43

EXECUTIVE SUMMARY

Introduction

Pursuant to Regulation 17(1) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (CEO) of a local government is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) Risk management;
- (b) Internal control; and
- (c) Legislative compliance.

Regulation 17(2) states that the review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

In addition, Regulation 17(3) requires the CEO to report to the audit committee the results of that review.

The Department of Local Government, Sport and Cultural Industries provides guidance for the areas that should be considered for this review in Operational Guideline No. 9 (Appendix 3).

The Shire of Gnowangerup appointed Darren Long Consulting to undertake a review of the local government's internal control and legislative compliance systems and procedures, as required by regulation 17(1) of the *Local Government (Audit) Regulations 1996* and report as to their appropriateness and effectiveness.

Purpose Of Legislative Compliance And Internal Control Systems

The compliance programs of a local government are a strong indication of attitude towards meeting legislative compliance.

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Review Context

Understanding risk appetite and tolerance is important, as they assist in determining the level of risk the local government is willing to accept and pursue in attaining its goals and objectives.

Risk appetite is the amount of risk a local government is willing to accept or retain in order to achieve its objectives.

Risk appetite is usually expressed in a form of a statement and are aligned to categories of risk. Risk appetite statements will have a different look and feel based on a local government's internal and external context (influences).

Risk tolerance is the levels of risk taking acceptable to achieve a specific objective or manage a category of risk.

Risk tolerance “represents the practical application of risk appetite and is typically aligned to categories of risk such as strategy, financial, people or reputation”¹.

Risk culture is the norms, traditions and behaviours of individuals and groups within the local government that determine the way in which they identify, understand, discuss and act on the risks the local government confronts and takes.

Being a public body, there is an expectation that the Shire’s risk appetite for legislative non-compliance will be very low, to protect the entity’s reputation and to guard against misappropriation or loss of public monies.

The Shire’s risk appetite when reviewing its service delivery, health, safety, environmental and financial management is considered to be ‘low to moderate’, requiring treatment with sound internal controls. Strategic and project based initiatives will require individual assessment, and where considered to be ‘high or extreme’, additional controls will be required to reduce the risk level. These additional controls will need continual monitoring and evaluation to confirm they are effective.

Findings

Key findings arising from the Legislative Compliance and Internal Control Review are as follows:

Internal Monitoring of Compliance with Legislation and Regulations

- (1) The implementation of a compliance checklist would reinforce that all statutory requirements have been met for compliance items identified on the Annual Compliance Calendar.
- (2) Regular reviews of *Government Gazettes* would provide an additional control mechanism for monitoring changes to legislation that may affect the local government operationally and strategically.
- (3) The incorporation of the compliance obligations under the Water Service Act, Regulations and Licence into the existing Annual Compliance Calendar would provide appropriate control mechanisms, ensuring obligations are reviewed on a regular basis and compliance timeframes are met.

Annual Compliance Audit Return and Reporting to Council the Results of that Review

- (4) The implementation of a compliance checklist to complement the Annual Compliance Calendar would provide a certain level of comfort that all statutory requirements are being met.

¹ Australian Government Department of Finance – Risk Management Policy, 2016.

Staying Informed About How Management is Monitoring the Effectiveness of its Compliance and Making Recommendations for Change as Necessary

- (5) Clause 2.3(l) of the Terms of Reference of the Audit Committee requires the Committee to meet at least quarterly.
- (6) The local government should consider reviewing the Terms of Reference for the Audit Committee and remove references to functions not performed, such as internal audit.
- (7) The local government does not have an Internal Control Policy
- (8) The local government does not have a Legislative Compliance Policy
- (9) It would be helpful for all Council Policies to contain an objective, so there is clear understanding of the intent of the policy.
- (10) All policies should be reviewed to ensure they meet obligations under legislation and/or contain a policy framework that provide clear guidance to staff. For example, the local governments' Purchasing Policy should be reviewed to ensure the requirements under Regulation 11A of the *Local Government (Functions and General) Regulations 1996* are contained within the policy.
- (11) Some procedure manuals could be enhanced with additional screenshots to provide users with visual prompts on how to perform the procedure.
- (12) Process maps have not been prepared for any processes/procedures.

Review Whether the Local Government has Procedures for it to Receive, Retain and Treat Complaints, Including Confidential and Anonymous Employee Complaints

- (13) The local government does not have a formal complaints procedure.
- (14) The local government does not have a procedure that deals with confidential and anonymous employee complaints.
- (15) The local government does not have an internal procedure relating to Public Interest Disclosures, as required by the Public Interest Disclosures (PID) Act.
- (16) The local government does not have a procedure to handle complaints about elected member official conduct matters.

Review Whether External Auditors have regard to Compliance and Ethics Risks in the Development of Their Audit Plan and in the Conduct of Audit Projects, and Report Compliance and Ethics issues to the Audit Committee

- (17) An external audit plan is not prepared each year and provided to the local government.

Assess the Local Governments' Compliance Framework Dealing with Relevant External Legislation and Regulatory Requirements

- (18) The local government does not have a Governance Manual.
- (19) The Annual Compliance Calendar does not address any of the compliance requirements relating to the Water Services Act, Water Services Regulations and the Water Services Operating Licence conditions for the Ongerup Effluent System.
- (20) The regular use of business plans for key activities and major projects will assist identify compliance requirements, development of risk profiles and financial modelling risks.

Review Audit Committee's Processes and Procedures Regarding Compliance with Legislation and Regulatory Requirements Imposed on Members Including Not Misusing Their Position to Gain an Advantage for themselves or another, or Cause Detriment to the Local Government, and Disclosing Conflicts of Interest

- (21) The local government does not have a Governance Manual.

Limit of Direct Physical Access to Assets and Records

- (22) The local government does not have an IT Security Policy and Procedure.
- (23) There is a weakness in IT security protocols that provides any user with direct access to electronic records via a network drive in a Remote Session, without the need to utilise the SynergySoft interface.
- (24) The control mechanism of recording the checking out of physical files on a whiteboard is considered a weakness as it is not a permanent record. It removes the accountability to trace the last officer who accessed and removed the physical file from the filing system.
- (25) To reduce risk of unencumbered access to IT hardware, it is suggested that the IT hardware cabinet be locked, with keys being held by the local governments' IT administrator.

Control of Computer Applications and Information Systems Standards

- (26) The local government does not have an IT Security Policy and Procedure.
- (27) There is a weakness in IT security protocols that provides any user with direct access to files and folders via a network drive in a Remote Session.
- (28) The local government does not have an IT Disaster Recovery Plan.
- (29) The local government does not undertake annual full system restores to test whether the back-up regime is working, and full system recovery can be achieved.

Limit Access to Make Changes in Data Files and Systems

- (30) There is a weakness in IT security protocols that provides any user with direct access to files and folders via a network drive in a Remote Session.

Regular Maintenance and Review of Financial Control Accounts and Trail Balance

(31) An ageing profile report for Rates is not run at the end of each month.

Report, Review and Approval of Financial Payments and Reconciliations

(32) It is suggested the Accounts Payable procedure also document the matching process of the purchase order with the supplier invoice; ensure the proper number of quotations have been received; and a check is performed on the approval threshold for purchase orders.

(33) The inclusion of screenshots of data entry screens may assist a user that is not familiar with the Accounts Payable process.

Comparison of the Result of Physical Cash and Inventory Counts with Accounting Records

(34) It may be helpful to include in the Customer Services Officer Procedure Manual, under cash receipting, the practice of another staff member verifying the cash float and cash takings for the day, including counter-signing the receipting reports.

(35) The library should issue approved receipts for any cash collected so there is an audit trail of how much cash was received, from whom, on what date and for what purpose.

(36) A daily takings reconciliation worksheet should be completed by the library so there is a clear audit trail of the cash takings received on any day.

(37) The introduction of a daily takings reconciliation worksheet for the swimming pool, and reconciliation of cash float in the cash register, are appropriate internal control measures that should be implemented.

(38) The local government should consider recording sales from the vending machine based on stock replenishment figures, either daily or weekly, and use this as the basis for performing a reconciliation of cash takings collected.

(39) It is suggested the weekly fuel issues worksheet be amended so that meter readings can be recorded after each fuel issue. This will allow the tracking of the meter reading to the actual litres of fuel issued and allow comparison to the closing fuel dip. This will allow any erroneous readings to be identified.

Recommendations

As a result of the findings, the following improvement recommendations are made:

- (1) That the CEO consider the implementation of a compliance checklist detailing the statutory obligations to be met for the compliance items identified on the Annual Compliance Calendar.
- (2) That the CEO consider instituting regular reviews of *Government Gazettes* to monitor for changes to legislation that may affect the local government operationally and strategically.

- (3) That the CEO consider amending the Compliance Calendar to incorporate the compliance requirements relating to the Water Services Act, the Water Services Regulations and the Water Services Operating Licence Conditions for the Ongerup Effluent System.
- (4) That the CEO consider undertaking a review of the Audit Committee Terms of Reference and ensure that quarterly meetings are held in accordance with clause 2.3(l) of the Terms of Reference.
- (5) That the CEO consider implementing an Internal Control Policy.
- (6) That the CEO consider implementing a Legislative Compliance Policy.
- (7) That the CEO consider undertaking a review of the Policy Manual so that:
 - (a) Each Policy contains an objective so that the intent of the policy is clear; and
 - (b) Each policy meets the obligations under legislation or contains a policy framework that provides clear guidance to staff.
- (8) That the CEO consider updating internal procedure manuals with additional screenshots to provide users with visual prompts on how to perform the procedures.
- (9) That the CEO consider process mapping procedures to assist visual interpretation and to identify weaknesses in internal controls.
- (10) That the CEO consider implementing a formal complaints procedure, which also addresses confidential and anonymous employee complaints.
- (11) That the CEO implement an internal procedure that meets the requirements of the Public Interest Disclosures Act.
- (12) That the CEO consider implementing a procedure that details the process of handling complaints about elected members under the Official Conduct Rules.
- (13) That the CEO consider implementing a Governance Manual that provides sound guidance on the corporate governance framework that applies to the local government.
- (14) That the CEO consider implementing an IT Security Policy and an IT Security Procedure.
- (15) That the CEO hold discussions with the external IT provider to identify a resolution to the weakness in the IT security protocols relating to networked drives in a Remote Session.
- (16) That the CEO consider reviewing the procedure and protocols for checking out physical record files from the secure storage room.
- (17) That the CEO direct that the IT hardware cabinet be locked, and access keys remain with the local governments' IT administrator.
- (18) That the CEO consider implementing an IT Disaster Recovery Plan that contains annual disaster recovery tests of full system restores.
- (19) That the CEO consider implementing an internal procedure to ensure that an ageing profile report for Rates be run each month.

- (20) That the CEO consider updating the Accounts Payable internal procedure, so it addresses the full process from initiation to completion, including the insertion of relevant screenshots to provide users with visual prompts on how to perform the procedure.
- (21) That the CEO consider updating the cash receipting internal procedure so that it includes the practice of another staff member verifying the cash float and the cash takings for the day.
- (22) That the CEO implement the use of an approved tax receipt being issued at the library for any cash collected so there is an audit trail of the amount of cash received, from whom it was received, on what date it was received and for what purpose it was received.
- (23) That the CEO consider implementing a daily takings worksheet at the library to account for any cash collected on a daily basis.
- (24) That the CEO consider implementing a daily takings worksheet for the swimming pool to record daily attendances, and to reconcile the cash float in the cash register and the daily cash takings received from pool entry fees.
- (25) That the CEO consider implementing a vending machine sales reconciliation worksheet, based on stock replenishment figures, which can be used as the basis for performing a reconciliation of cash takings collected, and that two people be present when cash is removed from the vending machine.
- (26) That the CEO consider implementing amendments to the fuel issues worksheet so that bowser meter readings can be recorded along with each fuel issue undertaken.

Opinion

The review of the Legislative Compliance and Internal Control mechanisms developed by the Shire of Gnowangerup indicates that, except for those matters identified in the findings and recommendations section of this report, they are appropriate and effective for the particular operations and size of the local government.

1.0 INTRODUCTION

1.1 BACKGROUND

Pursuant to Regulation 17(1) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (CEO) of a local government is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (d) Risk management;
- (e) Internal control; and
- (f) Legislative compliance.

Regulation 17(2) states that the review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

In addition, Regulation 17(3) requires the CEO to report to the audit committee the results of that review.

The Department of Local Government, Sport and Cultural Industries provides guidance for the areas that should be considered for this review in Operational Guideline No. 9 (Appendix 3).

1.2 PURPOSE OF REPORT

The Shire of Gnowangerup appointed Darren Long Consulting to undertake a review of the local government's internal control and legislative compliance systems and procedures, as required by regulation 17(1) of the *Local Government (Audit) Regulations 1996* and report as to their appropriateness and effectiveness.

1.3 METHODOLOGY

The methodology adopted to undertake the Internal Controls and Legislative Compliance Review and prepare this report included:

- (1) Introduction
- (2) Purpose of Internal Controls and Legislative Compliance Systems
- (3) Review Context
- (4) Legislative Compliance
- (5) Internal Controls
- (6) Findings
- (7) Recommendations
- (8) Opinion

2.0 PURPOSE OF LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS SYSTEMS

2.1 LEGISLATIVE COMPLIANCE SYSTEMS

The compliance programs of a local government are a strong indication of attitude towards meeting legislative compliance. Practices in regard to monitoring compliance programs typically include:

- Assess internal monitoring of compliance with legislation and regulations;
- Assess completion of annual Compliance Audit Return and the reporting of the results of the review to the Audit Committee and Council;
- Assess how Audit Committee is kept informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary;
- Review whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Review internal processes as to how management identifies adverse trends and how management plans to deal with these;
- Review management disclosures in financial reports of the effect of significant compliance issues;
- Assess whether the external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the Audit Committee;
- Assess local government's compliance framework dealing with relevant external legislation and regulatory requirements;
- Review Audit Committee's processes and procedures regarding compliance with legislation and regulatory requirements imposed on members, including not misusing their position to gain an advantage for themselves or another or cause detriment to the local government and disclosing conflicts of interest.

2.2 INTERNAL CONTROL SYSTEMS

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government. Aspects of an effective control framework will include:

- Separation and segregation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;
- Management internal reviews of comparison of internal data with external sources of information;
- Limits of direct physical access to assets and records;
- Security controls in regard to computer applications and information system standards;

- Security controls to limit changes in data files and systems;
- Whether maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Whether comparison and analysis of financial results with budgeted amounts is appropriate;
- Whether reviews of arithmetical accuracy and context of records are regular and appropriate;
- Whether control and approval of financial payments and reconciliations is appropriate;
- Whether comparison of physical cash and inventory counts with accounting records is appropriate.

3.0 REVIEW CONTEXT

3.1 RISK APPETITE AND TOLERANCE

Understanding risk appetite and tolerance is important, as they assist in determining the level of risk the local government is willing to accept and pursue in attaining its goals and objectives.

Risk appetite is the amount of risk a local government is willing to accept or retain in order to achieve its objectives.

Risk appetite is usually expressed in a form of a statement and are aligned to categories of risk. Risk appetite statements will have a different look and feel based on a local government's internal and external context (influences).

Risk tolerance is the levels of risk taking acceptable to achieve a specific objective or manage a category of risk.

Risk tolerance "represents the practical application of risk appetite and is typically aligned to categories of risk such as strategy, financial, people or reputation"².

Risk culture is the norms, traditions and behaviours of individuals and groups within the local government that determine the way in which the identify, understand, discuss and act on the risks the local government confronts and takes.

As highlighted in the 2018 Risk Management Report prepared by LGIS:

Currently the Shire does not have a formal risk appetite or tolerance guidance statement. As this would require Council approval the development of this statement should be delayed until the Framework has matured further and the Audit Committee has had an opportunity to become more involved in the risk process. At this point, 'tolerance' is driven by the Shire's risk acceptance criteria at an operational level and the Council's appetite on specific areas or proposals (at the time of decision). The Shire's risk acceptance criteria is as follows:

Shire of Gnowangerup Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME (20-25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

² Australian Government Department of Finance – Risk Management Policy, 2016.

Being a public body, there is an expectation that the Shire’s risk appetite for legislative non-compliance will be very low, to protect the entity’s reputation and to guard against misappropriate or loss of public monies.

The Shire’s risk appetite when reviewing its service delivery, health, safety, environmental and financial management is considered to be ‘low to moderate’, requiring treatment with sound internal controls. Strategic and project based initiatives will require individual assessment, and where considered to be ‘high or extreme’, additional controls will be required to reduce the risk level. These additional controls will need continual monitoring and evaluation to confirm they are effective.

3.2 INTERNAL AND EXTERNAL CONTEXT

Evaluating and understanding the internal and external context the Shire of Gnowangerup operates within is essential, as they impact on the level of integration of risk management into the entity, and therefore can impact on the legislative compliance and the internal control environments implemented.

The internal and external context are detailed below:

Internal Context	External Context
The objectives and strategies contained in the Shire’s Strategic Community Plan	Increasing compliance requirements
The implementation actions and their timing in the Shire’s Corporate Business Plan	Cost shifting and devolution of services by Commonwealth and State Governments
The existing local government structure, size, location, functions and activities	Continual decline in external grant funding for operational activities and capital infrastructure
The current human and financial resources of the local government	Changing community expectations regarding service delivery and service levels
The ageing workforce of the local government	Local labour shortage
	Insufficient quality housing available locally

4.0 LEGISLATIVE COMPLIANCE SYSTEMS

4.1 INTERNAL MONITORING OF COMPLIANCE WITH LEGISLATION AND REGULATIONS

Key aspects assessed include:

4.1.1 Management has implemented a compliance calendar and/or compliance checklist to ensure staff are aware of statutory compliance requirements, their timeframes and due dates.

Comments

The Shire has implemented an annual compliance calendar that it utilises to ensure staff are aware of key compliance requirements under a range of legislation. The annual compliance calendar is reviewed at each Management and Executive meeting (Manex), with critical compliance dates listed for the coming months. The process owner of the compliance activity is identified, along with the applicable Act/Regulation section/clause and schedule frequency.

This provides a sound control mechanism for ensuring compliance requirements are considered and evaluated on an on-going basis.

Findings

- (a) The implementation of a compliance checklist would reinforce the statutory requirements have been met for compliance items identified on the compliance calendar.

4.1.2 Management reviews Government Gazettes and monitors circulars from the Department of Local Government, Sport and Cultural Industries for changes to legislation

Comments

The Deputy CEO monitors all Department of Local Government, Sport and Cultural industries circulars for notifications of changes to legislation that may impact on the Shire.

The Parliamentary Counsel's Office within the Department of Justice is the editor and publisher of the Government Gazette. The Government Gazette contains statutory and other notices that are required by law and Government authority to be published in the Gazette, including official publications required under enactments such as Acts, regulations, rules and by-laws. It is a rich source of information on changes to Acts of Parliament, and regulation amendments/changes, which may impact on local government.

Government Gazette publications are not currently monitored for amendments/changes to legislation that may have an impact on the local government's operations.

Findings

- (a) Regular reviews of Government Gazettes would provide an additional control mechanism for monitoring changes to legislation that may affect the local government operationally and strategically.

4.1.3 Management monitors compliance with Water Services Licence operating conditions, reviews biennial audit report and addresses adverse findings

Comment

The local government is required under its' Water Service Licence for the Ongerup Limited Waste Water and Effluent Scheme to submit to an operational audit and an asset management system review every 24 months.

The objective of the operational audit is to assess the local government's level of compliance with the conditions of its licence.

The objective of the asset management system review is to provide the Economic Regulation Authority (ERA) with an independent opinion on whether or not the Shire has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

The draft audit report, which is currently subject to review, details a range of non-compliance items. There is currently no control mechanism for monitoring compliance with the obligations under the Water Service Licence issued and the associated legislative requirements.

Findings

- (a) Appropriate control mechanisms could be achieved through the incorporation of the compliance obligations under the Water Service Licence and associated legislation into the existing Compliance Calendar. This would ensure that obligations are reviewed on a regular basis by management, as well as ensuring compliance timeframes are met.

4.1.4 Management reviews agenda report template to ensure a contemporary format is used that ensures legislative compliance is one of the key headings to be addressed.

Comment

The local government's existing Agenda Report template contains headings for legal and statutory requirements, ensuring relevant implications are reported and evaluated for any matter of business presented to Council for consideration.

Findings

- (a) Current control mechanisms are considered appropriate.

4.1.5 The local government holds Management & Executive team (Manex) meetings on a regular basis to discuss matters of strategic and operational importance. This includes compliance issues with the potential to significantly impact on business operations.

Comment

The Manex meetings are held on a regular basis (fortnightly), with a clearly structured agenda. Compliance items that have the potential for significant impact are listed on the agenda and discussed.

Findings

- (a) The structure and frequency of Manex meetings as a control mechanism are considered appropriate.

**4.2 ANNUAL COMPLIANCE AUDIT RETURN AND REPORTING TO COUNCIL
THE RESULTS OF THAT REVIEW**

Key aspects reviewed include:

4.2.1 The Compliance Audit Return is completed on an annual basis and is submitted in accordance with the Local Government Act 1995 and associated Regulations. Comprehensive workpapers are compiled containing evidence of compliance with each of the legislative requirements.

Comments

The 2016 Compliance Audit Return was completed in February 2017 and submitted to the Audit Committee Meeting and the Ordinary Council Meeting, both held on 15 February 2017.

Non-compliance issues identified in the 2016 Compliance Audit Return include:

- (a) Item 10 of the Disclosure of Interests section, relating to keeping a Register of Financial Interests disclosed under Sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.

The 2017 Compliance Audit Return was completed on 16 March 2018 and is due to be submitted to the March 2018 Audit Committee and Council meetings. Non-compliance issues identified in the 2017 Compliance Audit Return include:

- (a) Item 9 of the Disclosure of Interests section, relating to keeping a Register of Financial Interests which contained the returns lodged under Sections 5.75 and 5.76.
- (b) Item 1 of the Tender for Providing Goods and Services section, relating to the obligation on the local government to invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the *Local Government (Functions & General) Regulations 1996*.

A public tender process was not conducted for the appointment of a Project Manager in relation to WANDRRA flood damage works.

Findings

- (a) The implementation of a compliance checklist to complement the Compliance Calendar would provide a certain level of comfort that the statutory requirements are being met.

4.3 STAYING INFORMED ABOUT HOW MANAGEMENT IS MONITORING THE EFFECTIVENESS OF ITS COMPLIANCE AND MAKING RECOMMENDATIONS FOR CHANGE AS NECESSARY

Key aspects reviewed include:

4.3.1 The local government has an audit committee that is responsible for reviewing the audit function, including legislative compliance requirements from a financial perspective, and monitoring enterprise financial risks.

Comment

Audit Committee meetings were held 3 times during the 2016-17 financial year to deal with legislative responsibilities under the *Local Government Act 1995* and associated Regulations. Department of Local Government, Sport and Cultural Industries (DLGSC) Operational Guideline No. 9 recommends meetings should be conducted at least quarterly.

The local government has adopted a Terms of Reference for the Audit Committee, clearly establishing the Objectives of the Committee, its membership, meeting frequency, reporting, and duties and responsibilities.

Findings

- (a) Clause 2.3(l) of the Terms of Reference for the Audit Committee requires the Committee to meet at least quarterly.
- (b) The local government should consider reviewing the Terms of Reference for the Audit Committee and remove references to functions not performed, such as internal audit.

4.3.2 The local government has Integrated Planning Documents that guide the strategic direction of Council, provide implementation and action plans, and identify asset, financial and human resourcing requirements.

Comment

The local government has recently adopted a new Strategic Community Plan for the period 2017-2027 containing six key result areas:

- (i) Sustainable Business Growth
- (ii) The Natural Environment

- (iii) Our Community
- (iv) A Sustainable and Capable Community
- (v) Financial Sustainability
- (vi) Quality Built Form

The Shire adopted its Corporate Business Plan in 2017, which covers the years from 2017/18 – 2020/21.

The local government has an up-to-date Long Term Financial Plan (LTFP) and is currently reviewing its informing strategies for Asset Management and Workforce Planning.

Findings

- (a) The informing strategies for Asset Management and Workforce Planning are in draft format and are due to be finalised in the coming months.

4.3.3 The local government reviews policies on a regular basis, at least biennially, and changes to legislation are considered and incorporated during the review process

Comment

The local government has a Policy Manual, which contains policies adopted by the Council that provide a framework for officers to work within. The Manual classifies Policies into the categories of:

- (i) Corporate and Community Development;
- (ii) Strategy and Governance;
- (iii) Human Resource and Communication;
- (iv) Finance; and
- (v) Infrastructure, Environment and Asset Management

The Policy Manual was last reviewed in 2018.

Findings

- (a) An Internal Control Policy does not exist that details the local governments' commitment to internal controls.
- (b) A Legislative Compliance Policy does not exist that details the local governments' commitment to legislative compliance.
- (c) It would be helpful for all Policies to contain an Objective, so that there is clear understanding of the intent of the Policy.
- (d) All Policies should be reviewed to ensure they meet obligations required under legislation and/or contain a policy framework that provide clear guidance to staff. For example, the local government's Purchasing Policy should be reviewed to ensure the

requirements under Regulation 11A of the *Local Government (Functions and General) Regulations 1996* are contained within the Policy.

4.3.4 The local government reviews procedures and internal processes regularly, and changes to legislative requirements are considered and incorporated during the review process

Comment

Documented procedures provide a consistent approach to how processes are undertaken and allow for key controls to be identified. Once documented, procedures require constant monitoring for compliance and effectiveness.

The local government has a well-documented procedures manual for the Senior Finance Officer, Finance Officer, Customer Service Officer and Executive Assistant positions. The procedures could be enhanced with some additional screen-shots so that users have some visual prompts to identify they are in the correct software program, or section of the software program. Alternatively, where the Procedure Manuals refer to Synergy, reference could be made to the relevant SynergySoft manual for further guidance.

A procedure manual is currently being prepared for the Corporate Support Officer position.

Process maps, or flow-charts, create a visual representation of a process/procedure and clearly identify key internal control points and responsibility.

Process maps are yet to be prepared for any processes/procedures.

Findings

- (a) Some Procedure Manuals could be enhanced with additional screenshots to provide users with visual prompts on how to perform processes.
- (b) A procedure manual is currently being prepared for the Corporate Support Officer position.
- (c) Process maps have not been prepared for any processes/procedures.

4.3.5 The local government has authorised persons to carry out some of its discretionary functions under its legislative obligations and delegated authority to do the same. The Delegations Register is reviewed on an annual basis, and authorisations are reviewed when changes to legislation are identified. Delegations are included in the Compliance Calendar and reviewed accordingly.

Comments

The local government has a Delegations Register in place that lists all of the powers and functions delegated to the Chief Executive Officer (CEO), and also lists those powers and functions sub-delegated by the CEO, where the head of power for sub-delegation exists. The Delegations Register was last reviewed on 22 March 2017 and is due for review in March 2018.

The Delegations Register makes reference to a Schedule of Authorisations and the appointment of Authorised Persons. The Schedule of Authorisations and List of Authorised Persons is currently under review.

Findings

- (a) The Delegations Register, and the systems and process for recording delegations, is considered appropriate.
- (b) The Delegations Register is due for review in March 2018.
- (c) The Schedule of Authorisations and List of Authorised Persons is currently under review.

4.4 REVIEW WHETHER THE LOCAL GOVERNMENT HAS PROCEDURES FOR IT TO RECEIVE, RETAIN, AND TREAT COMPLAINTS, INCLUDING CONFIDENTIAL AND ANONYMOUS EMPLOYEE COMPLAINTS

Key aspects assessed include:

4.4.1 The local government has a Customer Services Charter that details the steps the local government will follow when dealing with a complaint. The Charter sets out the standards of service, compliments, enquiries, requests and complaints. The local government has a Customer Services Policy that provides guidance to staff and customers on the standards of service

Comments

The local government has a Customer Service Charter that was last reviewed in 2015. The Charter sets out what a complaint is, how a complaint will be handled, and the standards of service that a customer can expect.

The local government has a Customer Services Policy that has the objective of facilitating consistent standards of service delivery across Council and to provide a mechanism whereby compliments and complaints may be received and processed. A complaints form has been implemented.

A formal complaints procedure is yet to be prepared. The Customer Services Officer Procedure Manual does make reference to complaints handling and the steps involved.

The local government is yet to develop a Procedure that deals with confidential and anonymous employee complaints.

Findings

- (a) The local government does not have a formal complaints procedure.
- (b) The local government does not have a procedure that deals with confidential and anonymous employee complaints.

4.4.2 The local government has a grievance policy and procedure for the investigation and resolution of grievances, disputes and allegations of serious misconduct are managed.

Comments

The local government has a grievance policy and a grievance procedure to investigate, manage and resolve grievances, disputes and allegations of serious misconduct.

Findings

- (a) Current grievance Policy and Procedures, including systems, processes and control mechanisms are considered appropriate.

4.4.3 The local government has appointed a Public Interest Disclosure (PID) Officer to handle any PID complaint in a confidential manner, and has implemented internal procedures relating to the local governments obligations under the PID Act

Comments

The local government has nominated the Chief Executive Officer as the PID Officer, in accordance with the PID Act.

Section 23(1)(e) of the PID Act requires the principle executive officer of a public authority to prepare and publish internal procedures relating to the local governments' obligations under the PID Act.

Findings

- (a) The local government does not have an internal procedure relating to Public Interest Disclosures as required by the PID Act.

4.4.4 The local government has implemented an Elected Member Official Conduct Complaints Procedure.

Comments

The local government has a Code of Conduct for Councillors and Employees that was reviewed and adopted in 2016, and is currently under review.

The local government does not have a procedure to handle complaints about Elected Member Official Conduct matters.

Findings

- (a) The local government does not have a procedure to handle complaints about Elected Member Official Conduct matters.

4.5 OBTAIN ASSURANCE THAT ADVERSE TRENDS ARE IDENTIFIED AND REVIEW MANAGERMENTS' PLANS TO DEAL WITH THESE

Key aspects assessed and reviewed include:

4.5.1 Non-compliance issues identified in the Compliance Audit Return are reported to the Audit Committee and to Council, as well as the action to be taken to ensure compliance in future years

Comments

The 2018 Compliance Audit Return for the period 1 January 2017 to 31 December 2017 was submitted to the Audit Committee on 28th March 2018. The Audit Committee accepted the Compliance Audit Return Report and recommended to Council its adoption; with one minor non-compliance item identified, relating to keeping a register of financial interests disclosed in the prescribed form. Management has advised they will implement a register that meets the requirements of Regulation 28 of the *Local Government (Administration) Regulations 1996*.

Findings

- (a) Non-compliance items have been reported to the Audit Committee and Council, with rectification action proposed to address the non-compliance for future years.
- (b) The systems and processes implemented as control mechanisms for the Compliance Audit Return are considered appropriate

4.5.2 The local government holds management team meetings on a regular basis to discuss matters of strategic and operational importance. This includes compliance issues with the potential to significantly impact on business operations and consideration of any adverse trends.

Comments

Management and Executive Team (Manex) meetings are scheduled to be held every fortnight. An agenda is prepared for each Manex meeting that lists strategic and operational matters of importance for consideration, including any matter that may have the potential to significantly impact on business operations. Minutes are kept of Manex meetings with actions to be implemented.

Individual risk profiles for key items are reviewed on a regular basis. To date 21 risk profiles have been identified mainly relating to operational risks, with some inclusion of generic strategic risks. Key financial matters are monitored, with regular reporting on budget variances.

Business plans are prepared on an as required ad-hoc basis for major projects.

Findings

- (a) Manex meetings are held regularly with minutes kept of actions required.

- (b) Individual risk profiles are reported and reviewed on a regular basis.
- (c) The regular use of business plans for key activities and major projects will assist identify legislative compliance requirements, development of risk profiles and financial modelling.
- (d) The structure and frequency of Manex meetings as a control mechanism are considered appropriate.

4.5.3 The corporate services division of the local government provides advice and guidance to other divisional areas on how to achieve compliance in context of their service activities

Comments

Adverse trends identified during business as usual operations are dealt with on an ad-hoc basis. How the issue is dealt with will depend on the severity of the problem and the risk it represents to the local government. If the issue is considered serious and high risk, the matter is reported to the CEO, and Manex evaluates how to deal with the matter effectively.

Findings

- (a) The systems, processes and structures in place for the provision of advice and guidance for other divisional areas are considered appropriate.

4.6 REVIEW MANAGEMENT DISCLOSURES IN FINANCIAL REPORTS OF THE EFFECT OF SIGNIFICANT COMPLIANCE ISSUES

Key aspects reviewed include:

4.6.1 The Annual Financial Report and Annual Budget of the local government contain disclosures that report on significant compliance issues, their effect and impact on the local government

Comments

The 2016 Annual Budget, 2016 Annual Financial Report, 2017 Annual Budget, 2017 Annual Financial report and the 2018 Annual budget were reviewed for significant compliance issues and related disclosures.

No significant disclosure items were present in the Annual Budget or Annual Financial Report of each of the years reviewed.

No matters were identified in any local government documents, records or registers that any significant compliance issues were present that needed to be disclosed.

Findings

- (a) The systems, processes and structures in place for the identifying and reporting significant compliance issues are considered appropriate.

4.7 REVIEW WHETHER THE INTERNAL AND/OR EXTERNAL AUDITORS HAVE REGARD TO COMPLIANCE AND ETHICS RISKS IN THE DEVELOPMENT OF THEIR AUDIT PLAN AND IN THE CONDUCT OF AUDIT PROJECTS, AND REPORT COMPLIANCE AND ETHICS ISSUES TO THE AUDIT COMMITTEE

Key aspects reviewed include:

4.7.1 The local government uses registered company auditors and the audit contract details the compliance areas covered and whether ethics risks are addressed

Comments

The audit contract/engagement letter sets out the compliance areas to be examined and potential risks that may be present as part of the audit process. It also sets out the risk assessments undertaken by the auditors and the focus of these risk assessments for the audit process to be conducted.

The audit contract/engagement letter identifies that ethical requirements are to be complied with, including independence, and ethical risks will be evaluated prior to the commencement of the audit process.

A generic audit plan is included in the tender submission, but an external audit plan is not prepared each year.

Findings

- (a) Audit contract/engagement letter addresses compliance issues and ethical risks that require consideration.
- (b) An external audit plan is not prepared each year and provided to the local government.

4.7.2 The audit process consists of an interim and final audit, with any findings arising from the audit process reported to the local government. Audit and management reports are provided to the local government detailing non-compliance issues and any significant deficiencies in internal controls.

Comments

An interim audit process is generally conducted in April/May each year, with an interim audit report provided to the CEO on any findings. Findings contained in the 2017 interim report were addressed by management with actions implemented to rectify the deficiencies identified.

The final audit process is generally conducted in September/October each year, with an Audit Report and a management report provided to the CEO. Findings contained in the 2017 Auditors management report were addressed by the local government with actions implemented to rectify the deficiencies identified. The 2017 management report was

presented to the local governments' Audit Committee for consideration and notation of the actions taken to address the deficiencies identified.

Findings

- (a) The systems, processes and structures in place for the identifying non-compliance issues and internal control weaknesses are considered appropriate.

4.8 CONSIDER THE INTERNAL AUDITORS' ROLE IN ASSESSING COMPLIANCE AND ETHICS RISKS IN THEIR INTERNAL AUDIT PLAN

The local government does not conduct a discrete internal audit function.

However, management does review systems and processes, including compliance systems, internal controls and ethics risks on a periodic basis.

This approach is considered reasonable given the size, location and resourcing capability of the local government.

4.9 ASSESS THE LOCAL GOVERNMENTS' COMPLIANCE FRAMEWORK DEALING WITH RELEVANT EXTERNAL LEGISLATION AND REGULATORY REQUIREMENTS

Key aspects assessed include:

4.9.1 A Governance Manual has been implemented that outlines the governance framework and the legislation applicable to local government

Comments

Corporate governance is a system of policies, procedures and processes through which an organisation makes decisions and directs, controls and monitors its operations. The systems are complex and are required by legislation.

A Governance Manual will assist the local government to achieve its commitment to good governance.

Findings

- (a) The local government does not have a Governance Manual.

4.9.2 The local government has an Annual Compliance Calendar which contains key legislative obligations it is required to comply with each month of the year

Comments

The local government has an Annual Compliance Calendar that details a range of legislative compliance requirements, their due date and the responsible officer for ensuring compliance.

Findings

- (a) The Annual Compliance Calendar currently does not address any of the compliance requirements relating to the Water Services Act, Water Services Regulations, and the Water Services Operating Licence conditions for the Ongerup Effluent System.

4.9.3 The local government holds regular management meetings where compliance items for the current and forthcoming months are monitored

Comments

Management and Executive (Manex) meetings are held on a regular basis, with a clearly structured agenda. The Annual Compliance Calendar is a standing agenda item for reference. Compliance items that have the potential for significant impact are listed on the agenda and discussed.

Findings

- (a) The structure and frequency of Manex meetings as a control mechanism are considered appropriate.

4.9.4 The local government prepares business plans for key activities and major projects that identify relevant external legislation and regulatory requirements, including risk management and financial modelling

Comments

Business plans are prepared on an as required ad-hoc basis for major projects.

Findings

- (a) The regular use of business plans for key activities and major projects will assist identify legislative compliance requirements, development of risk profiles and financial modelling.

4.10 REVIEW AUDIT COMMITTEE'S PROCESSES AND PROCEDURES REGARDING COMPLIANCE WITH LEGISLATION AND REGULATORY REQUIREMENTS IMPOSED ON MEMBERS, INCLUDING NOT MISUSING THEIR POSITION TO GAIN AND ADVANTAGE FOR THEMSELVES OR ANOTHER, OR CAUSE DETRIMENT TO THE LOCAL GOVERNMENT, AND DISCLOSING CONFLICTS OF INTEREST

Key aspects assessed and reviewed include:

4.10.1 Inductions are provided for newly elected members which covers conflicts of interest

Comments

The local government conducts an induction with newly elected members utilising the induction manual guidelines from the Department of Local Government, Sports and Cultural Industries, which covers conflicts of interest and their role as a councillor and a committee member.

Findings

- (a) The systems, processes and structures in place for induction of newly elected members are considered appropriate.

4.10.2 Elected Members are provided with the opportunity to attend relevant training delivered by Western Australian Local Government Association (WALGA)

Comment

The local government promotes training courses conducted by WALGA and provides an annual training budget to ensure councillors can attend relevant training courses.

Findings

- (a) The systems, processes and structures in place for training for elected members are considered appropriate.

4.10.3 The local government has a Code of Conduct that clearly sets out the requirements for elected members declaring conflicts of interest, including not misusing their position to gain an advantage for themselves or another

Comments

The local government has a Code of Conduct for Councillors and Employees that was reviewed and adopted in 2016; it is currently under review.

The existing Code contains clauses that clearly set out the requirement for declaring conflicts of interest for Councillors. Specific reference is made in the Code about not misusing their position to improperly influence other to gain undue or improper advantage (direct or indirect) for themselves, or any other person, or organisation.

Findings

- (a) The systems, procedures and processes in place for elected members to be aware of, and declare, conflicts of interest, and not to misuse their position for advantage or gain, are considered appropriate.

4.10.4 A Governance Manual clearly sets out the overarching governance framework that the local government operates within and describes in detail the statutory obligations of the local government and of a Councillor

Comments

Corporate governance is a system of policies, procedures and processes through which an organisation makes decisions and directs, controls and monitors its operations. The systems are complex and are required by legislation.

A Governance Manual will assist the local government to achieve its commitment to good governance.

Findings

- (a) The local government does not have a Governance Manual.

4.10.5 The local government has implemented and maintains Registers for Annual and Primary Returns, Declarations of Financial Interests and Gifts

Comments

The local government has implemented Registers for Annual and Primary Returns, and for Gifts, that meet legislative requirements.

Findings

- (a) The local government is implementing a Register for Declaration of Financial Interests that meets the requirements of Regulation 28 of the *Local Government (Administration) Regulations 1996*.

5.0 INTERNAL CONTROL SYSTEMS

5.1 SEPARATION OF ROLES AND FUNCTIONS, PROCESSING AND AUTHORISATION

Key aspects assessed and reviewed include:

5.1.1 Debtors Control – Separation of roles between invoice raiser, invoice approver, and receipting functions

Comments

There are clear role separations in place between invoice raiser and invoice approver. There are specific role separations in place between invoice raising and receipting for direct credit and BPay receipting.

However, clear separation for day-to-day over the counter receipting is difficult due to the small office and human resources of the local government; which results in a lack of separation for over the counter receipting. The local government is aware of this risk, which is impossible to avoid, and has implemented additional internal control measure checks for end of day balancing and end of month reconciliation, to minimise the risk exposure level.

Findings

- (a) There is a weakness present due to lack of separation of roles in the Debtors Control function, however the risk exposure level has been minimised through additional internal control measures.

5.1.2 Purchases, Creditors and Cash Payments – Separation of roles between ordering, invoice entry, invoice approver, petty cash payments and recoups, and payment approvals

Comments

There are clear role separations in place between ordering, invoice entry, invoice approver, petty cash payments and recoups, and payment approvals.

Findings

- (a) The systems, procedures and processes in place for Purchases, Creditors and Cash payments are considered appropriate.

5.1.3 Payroll – Separation of roles between timecard approver, timecard entry, payroll approver and pay run payment authorisers

Comments

There are clear role separations in place between timecard approver, timecard entry, payroll approver and pay run payment authorisers.

Findings

- (a) The systems, procedures and processes in place for Payroll are considered appropriate.

5.1.4 Receipting – Separation of roles between daily receipting, cash count at end of day, bank reconciliation process and review by Supervisor

Comments

There are clear role separations in place between daily receipting, cash count at end of day, bank reconciliation process and review by Supervisor.

Findings

- (a) The systems, procedures and processes in place for Receipting are considered appropriate.

5.1.5 Rating – Separation of roles between rates levied, cash receipting over the counter and direct deposit, bank reconciliation process and review by supervisor, debt collection and review by supervisor

Comments

There are clear role separations in place between rates levied, cash receipting by direct deposit, bank reconciliation process and review by supervisor, debt collection and review by supervisor.

However, clear separation for day-to-day over the counter receipting is difficult due to the small office and human resources of the local government; which results in a lack of separation for over the counter receipting. The local government is aware of this risk, which is impossible to avoid, and has implemented additional internal control measure checks for end of day balancing and end of month reconciliation, to minimise the risk exposure level.

Findings

- (a) There is a weakness present due to lack of separation of roles in the Rating Control function, however the risk exposure level has been minimised through additional internal control measures.

5.1.6 Banking – Separation of roles between cash receipting and daily banking, and bank reconciliation process

Comments

There are clear role separations in place between cash receipting and daily banking, and bank reconciliation process.

Findings

- (a) The systems, procedures and processes in place for Receipting are considered appropriate.

5.1.7 Monthly Reconciliations – Separation of roles to ensure supervisor is certifying monthly reconciliations prepared by relevant officers

Comments

The local government has implemented monthly reconciliations that are prepared by the Customer Services Officer, Finance Officer and Senior Finance Officer. Each of the monthly reconciliations prepared is checked and then certified by the Deputy CEO.

In addition, a Monthly Reconciliations Checklist has been implemented to ensure all identified reconciliations are completed each month.

Findings

- (a) The systems, procedures and processes in place for Monthly Reconciliations are considered appropriate.

5.2 CONTROL OF APPROVAL OF DOCUMENTS, LETTERS AND FINANCIAL RECORDS

Key aspects assessed include:

5.2.1 Document Approval – Documents are created by authorised officers and managed in a centrally controlled repository. Versions of documents are controlled by authorised officers in accordance with the local governments Document and Records Management Guideline – Access and Security

Comments

The local government, in consultation with its IT Provider, has implemented a networked Drive where all corporate documents and forms are stored. All staff have read access to the drive, with four designated staff having edit and write access.

The Customer Services Officer (CSO) is responsible for electronically filing all incoming correspondence into the local governments Electronic Document and Records Management System (EDRMS) within the SynergySoft system.

Officers are responsible for checking-in and filing their own documents they create and the emails they receive, into the EDRMS.

Document access level is completed at time of record creation in the EDRMS, which restricts viewing and editing access based on security privileges assigned according to the confidentiality levels established within the system.

The Record Keeping Plan is currently being reviewed to reflect internal practices and meet *State Records Act 2000* statutory obligations.

Findings

- (a) The systems, procedures and processes in place for Document Approval are considered appropriate.

- (b) The Record Keeping Plan is currently being reviewed to reflect internal practices and meet *State Records Act 2000* statutory obligations

5.2.2 Letters Approval – Letters are created by authorised officers and managed in a centrally controlled repository. Versions of letters are controlled by authorised officers in accordance with the local governments Document and Records Management Guideline – Access and Security

Comments

The CEO and Deputy CEO generate and approve the majority of letters issued by the local government; they also sign off on their own letters. Any sensitive matter dealt with by letter is approved by the CEO.

The Local Government has implemented an Electronic Document and Records Management System (EDRMS) within the SynergySoft system. Officers generating letters are responsible for filing the electronic copy within the EDRMS, with access assigned at point of capture.

A hard copy of each letter is kept on the relevant physical file. Physical files are housed in a secure storage room at the Community Resource Centre under lock, with keys kept at the Administration Centre.

Only the assigned officer, other than the system administrator, can edit versions of the letter captured in the EDRMS.

The Record Keeping Plan is currently being reviewed to reflect internal practices and meet *State Records Act 2000* statutory obligations.

Findings

- (a) The systems, procedures and processes in place for Letters Approval are considered appropriate.
- (b) The Record Keeping Plan is currently being reviewed to reflect internal practices and meet *State Records Act 2000* statutory obligations.

5.2.3 Financial Records Approval – The local government has sound oversight over the review and approval of financial records

Comments

The Deputy CEO approves and reviews the generation of financial records. The Deputy CEO approves and reviews financial records prepared for external publication, as part of the Agenda review process.

Other financial records generated are approved via controls established through Purchasing Policies and Procedures, business system configurations of purchasing thresholds in SynergySoft, and payment delegations. Business systems are complemented by internal control measures through monthly reconciliations and checklists.

Findings

- (a) The systems, procedures and processes in place for Financial Records Approval are considered appropriate.

5.3 COMPARISON OF INTERNAL DATA WITH EXTERNAL SOURCES OF INFORMATION

Key aspect assessed included:

5.3.1 Compare Internal Data to External Sources

Comments

The local government undertakes comparison of internal data with external sources on an ad-hoc, as required basis.

Findings

Nil.

5.4 LIMIT OF DIRECT PHYSICAL ACCESS TO ASSETS AND RECORDS

Key aspects assessed and reviewed include:

5.4.1 Physical access to electronic records is controlled by sound security policies

Comments

The local government does not have an IT Security Policy and Procedure. Access to electronic records is controlled by unique user login and passwords, with security based on user assigned credentials.

The local government has a basic Service Level Agreement (SLA) with an external IT Provider, with support based on block hours purchased.

Networked drives are controlled by group policy settings implemented by the external IT Provider under direction of the local government. All system users have access to a network drive, which allows users to gain access to the Records folder where all electronic documents are stored. There are little security protocols in place to prevent any user from viewing, editing and deleting electronic records from the Records folder.

Findings

- (a) The local government does not have an IT Security Policy and Procedure.
- (b) There is a weakness in IT security protocols that provides any user with direct access to electronic records via a network drive in a Remote Session, without the need to utilise the SynergySoft interface.

5.4.2 Physical access to paper records is controlled by sound security policies, procedures and a sign-out, sign-in register

Comments

Access to the physical filing system is obtained by signing out the key in the Key Register for access to the storage room at the Community Resource Centre. Once access to the filing storage room is obtained, the staff member is then meant to write on the whiteboard in the room the physical records file removed from the filing system.

The SynergySoft EDRMS also has a check-out function that can be used to signal that a physical paper records file has been removed from the filing system. This records the user and the date the file was checked-out. This practice is reasonable from a theory perspective but does not represent the actual process that takes place on site.

Staff did comment that no physical records file have been checked-out in the last five years.

Findings

- (a) The control mechanism of recording the checking out physical files on a whiteboard is considered a weakness as it is not a permanent record. It removes the accountability to trace the last officer who accessed and removed a physical file from the filing system.

5.4.3 Physical access to IT systems hardware is controlled by sound security procedure

Comments

The local governments IT system hardware is contained within a lockable cabinet, within a room.

The room can be accessed via three door-ways, making it difficult to provide security at this level. However, direct line of site is available to the Deputy CEO, when that person is situated in their office.

At time of inspection, the lockable cabinet was unlocked, allowing unencumbered access.

Access to the Server required an Administrator user login and password.

Findings

- (a) The design of the room housing the IT hardware does not facilitate sound security protocols to be implemented.
- (b) To reduce the risk on unencumbered access to IT hardware, it is suggested that the IT hardware cabinet be locked, with keys being held by the local governments IT administrator.

5.4.4 Physical access to assets, such as keys to plant and equipment, is controlled by a sign-out sign-in register, with keys kept in a lockable cabinet

Comments

The local government houses all keys for plant and equipment within a lockable cabinet at the depot. A key register has been implemented which staff must fill out to obtain access to keys for all plant and equipment.

Findings

- (a) The systems, procedures and processes in place for Physical Access to Assets are considered appropriate

5.5 CONTROL OF COMPUTER APPLICATIONS AND INFORMATION SYSTEMS STANDARDS

Key aspects assessed and reviewed include:

5.5.1 Access to corporate applications is controlled by unique user login and password. User access control is managed via access limitations imposed at individual user level

Comments

The local government has assigned each user a unique login and password for access to the computer network and for access to corporate applications, such as SynergySoft. Password changes for each user are force changed by the external IT Provider, at the direction of the Deputy CEO.

The local government has a basic Service Level Agreement (SLA) with an external IT Provider, with support based on block hours purchased.

Networked drives are controlled by group policy settings implemented by the external IT Provider under direction of the local government. All system users have access to a network drive via Remote Session, which allows users to gain access to all data stored on the network drive. There seems to be little or no security protocols in place to prevent any user from viewing, editing and deleting files from the network drive.

Findings

- (a) The local government does not have an IT Security Policy and Procedure.
- (b) There is an IT security risk present that provides any user with direct access to files and folders on a network drive in a Remote Session.

5.5.2 Corporate network controls include virus protection, cyber-security and firewall protection, regular back-ups and testing, system passwords and access controls

Comments

The local government has a basic Service Level Agreement (SLA) with an external IT Provider, with support based on block hours purchased.

System access is controlled by an Administrator login and password, which is held by the local governments' IT Administrator and the external IT Provider.

The local government has implemented a Cyberoam UTM device that provides hardware firewall protection and cyber-security, along with enterprise virus protection software. Both the firewall device and enterprise virus protection are maintained by the external IT Provider.

The local government has implemented daily back-ups, with the first stage of back-up going to an internal drive in the Server; at the end of the day this is copied onto an external USB drive that is changed daily. The second stage of the back-up regime is the copying of daily back-ups to a Network Attached Storage (NAS) device located at the depot. Whilst off-site back-ups are not feasible at this stage due to poor internet speeds, this option is monitored and reviewed regularly.

Data files from back-ups have been restored previously, which tends to indicate back-ups are working; however, a more rigorous back-up testing regime from a disaster recovery point should be instituted, with at least annual testing done of a full system restore, not just a single file.

Findings

- (a) The local government does not have an IT Disaster Recovery Plan.
- (b) The local government does not undertake annual full system restores to test whether the back-up regime is working, and full system recovery can be achieved.

5.6 LIMIT ACCESS TO MAKE CHANGES IN DATA FILES AND SYSTEMS

Key aspects assessed and reviewed include:

5.6.1 Authority to access and use corporate business systems is approved by the Deputy CEO

Comments

The Deputy CEO of the local government controls access to the corporate network and approves access for newly appointed employees.

The Deputy CEO approves the access removal of all termination employees.

Access and removal to the corporate network is conducted by the external IT Provider based upon authorisation by the Deputy CEO.

Findings

- (a) The systems, procedures and processes in place for Authority to Access and use Corporate Business Systems are considered appropriate.

5.6.2 Access to networked corporate drives is controlled by unique user login and password at each device

Comments

Each user has a unique login and password that controls access to the corporate network and business applications.

Individual user passwords are force changed every two to three months, which is managed by the external IT Provider.

Networked drives are controlled by group policy settings implemented by the external IT Provider under direction of the local government. All system users have access to a network drive via a Remote Session, which allows users to gain access to all data stored on the network drive. There seems to be little or no security protocols in place to prevent any user from viewing, editing and deleting files from the network drive.

Findings

- (a) There is a weakness in IT security protocols that provides any user with direct access to files and folders via a network drive in a Remote Session.

5.7 REGULAR MAINTENANCE AND REVIEW OF FINANCIAL CONTROL ACCOUNTS AND TRIAL BALANCES

Key aspects assessed and reviewed include:

5.7.1 Monthly and regular reconciliations are performed on key financial risk areas with the local government

Comments

The local government performs regular reconciliations in the following areas:

Area	Process undertaken
Annual Budget	Monthly actuals are compared to budget and significant variances fully investigated and explained
Financial Reporting	Actuals are compared to budget each month, with management reviewing variances, with significant variances investigated and explained
Grants	Regular reviews of all grant income and monitor compliance with terms of grant agreements; actual grant revenue is compared to budget estimates each month
Receipting	Revenue is compared to budget each month; Accounts receivable statements are sent to customers each month

Area	Process undertaken
Rates	Ageing profile report run after instalment payment option date passes
Rates	Subsidiary ledger is reconciled to the general ledger each month
Rates	Actual rate revenue is compared to budget each month
Rates	Annual valuation update is balanced prior to generation of rates
Rates	Interim valuation updates are balanced prior to generation of interim rates and issue of notices
Receivables	Ageing profile report is run monthly, and outstanding balances are investigated, and referred to debt collection if required
Receivables	Management reviews provision for doubtful debts on a monthly basis as part of the outstanding balances review
Receivables	Subsidiary ledger is reconciled to the general ledger each month
Bank Accounts	All general journals to the bank accounts are verified by the DCEO as part of the bank reconciliation check process, including supporting documentation for general journals posted
Bank Accounts	Bank reconciliations and checked and counter-signed by the DCEO
Investments	Investment income is compared to budget estimates each month
Investments	Investment register is maintained in accordance with Regulations and Council Policy and updated when investments mature, or new investments are made
Investments	Investment register is reconciled to general ledger each month
Payroll	Actual employee costs are compared to budget estimates each month, with significant variances investigated
Payroll	Regular reviews of employees listed on payroll master file are conducted, with any unusual items investigated
Payroll	Salary and hourly payroll reports are reviewed and approved by management prior to payments being made
Payroll	Payroll deduction reports are periodically reviewed for accuracy and ongoing relevance
Payroll	Salary sacrifice calculations are periodically reviewed for accuracy and compliance with legislative requirements
Payroll	Fortnightly pay run is reviewed by management prior to authorisation for payment for consistency and abnormal items
Payments	Actual expenditure is compared to budget estimates each month, with significant variances investigated
Payments	A List of Payments is prepared and presented to Council each month; management reviews any unusual or large payments
Payments	All supporting documentation is reviewed by management prior to approving/authorising payments
Payables	Ageing profile report is reviewed on a monthly basis, and any long outstanding items are investigated
Payables	Subsidiary ledger is reconciled to the general ledger each month
Fixed Assets	Management compares all fixed asset balances to budget estimates each month
Fixed Assets	Asset register additions and disposals are checked monthly and then again at year end

Area	Process undertaken
Fixed Assets	Depreciation rates and methodology are reviewed annual for assets classes that have undergone a fair value revaluation
Fixed Assets	Asset register is reconciled to general ledger monthly
Borrowings	All loan repayments of principal and interest are reviewed monthly
General Journals	All general journals are reviewed after posting, including supporting documentation. DCEO signs general journal documentation.

Findings

- (a) An Ageing Profile Report for Rates is not run at the end of each month.

5.8 COMPARISON AND ANALYSIS OF FINANCIAL RESULTS WITH BUDGETED AMOUNTS

Key aspects assessed and reviewed include:

5.8.1 Presentation of Monthly Statement of Financial Activity and supporting information to Council with actual results compared to year to date budget estimates each month, with adequate explanation of significant variances

Comment

The local government prepares a Monthly Statement of Financial Activity with supporting documentation, which is included in the Council Agenda. Significant variances reported in the Statement of Financial Activity are explained in detail.

Findings

- (a) The systems, procedures and processes in place for the Presentation of Monthly Statement of Financial Activity are considered appropriate.

5.8.2 Presentation of Mid-Year Budget Review to Council with actual results compared to the budget for the month, and projections undertaken through to 30 June, with recommendations on any budget amendments required based on projection trends

Comments

The local government prepares a mid-year budget review that is submitted to Council in February of each year. Significant variations are explained, and recommendations are made on budget amendments based on projection trends.

Findings

- (a) The systems, procedures and processes in place for the Mid-Year Budget Review are considered appropriate.

5.8.3 End of Financial Year Review is conducted with actual results compared to amended budget, with significant variations explained

Comments

The local government conducts an end of financial year review of its finances, with the aim of identifying key areas that were over or under budget estimates, with explanations provided on what has caused the outcome.

Findings

- (a) The systems, procedures and processes in place for the End of Financial Year Review are considered appropriate.

5.9 ARITHMETICAL ACCURACY AND CONTENT OF RECORDS IS REGULARLY CHECKED

Key aspects assessed and reviewed include:

5.9.1 Supplier invoices are cross-checked for arithmetic accuracy prior to data entry

Comments

The local government checks all computations and calculations on supplier invoices, including GST, for accuracy. Each supplier invoice is stamped and initialled as being checked.

Findings

- (a) The systems, procedures and processes in place for the checking supplier invoice computations and calculations are considered appropriate.

5.9.2 Customer invoices are cross-checked for arithmetic accuracy prior to issue

Comments

The local government checks all computations and calculations on customer invoices, including GST, for accuracy. A copy of each customer invoice is stamped and initialled as being checked.

Findings

- (a) The systems, procedures and processes in place for the checking customer invoice computations and calculations are considered appropriate.

5.10 REPORT, REVIEW AND APPROVAL OF FINANCIAL PAYMENTS AND RECONCILIATIONS

Key aspects assessed and reviewed include:

5.10.1 Accounts Payable Procedure provides guidance on the method for paying creditors that meets internal control, organisational and legislative requirements

Comments

The local government has implemented an Accounts Payable procedure manual that identifies the main steps involved in the process.

Findings

- (a) It is suggested the procedure also document the matching process of the purchase order with the supplier invoice, ensuring proper number of quotations have been received and a check is performed on the approval threshold for purchase orders as part of the process.
- (b) The inclusion of screenshots of data entry screens may assist a user that is not familiar with the Accounts Payable process.

5.10.2 List of Accounts is prepared, reviewed and submitted to Council

Comments

Management prepares a List of Accounts that is presented to Council each month. Management reviews each payment on the list, cross-checking each item has been appropriately authorised and certified prior to payment authorisation and/or signing.

Findings

- (a) The systems, procedures and processes in place for the preparation, review and approval of the List of Accounts are considered appropriate.

5.10.3 Manager reviews monthly reconciliations, cross-checks records and counter-signs reconciliations performed as being completed and are accurate

Comments

Management reviews and authorises each payment listing made. Monthly reconciliations are prepared and counter-signed by the Deputy CEO to acknowledge completion and accuracy.

Monthly checklists have been implemented to ensure all reconciliations are performed monthly.

Findings

The systems, procedures and processes in place for the preparation, review and approval of the List of Accounts are considered appropriate.

5.11 COMPARISON OF THE RESULT OF PHYSICAL CASH AND INVENTORY COUNTS WITH ACCOUNTING RECORDS

Key aspects assessed and reviewed include:

5.11.1 Cash float in tills is reconciled at the end of each day

Comments

The procedure manual for the Customer Services Officer position contains a detailed step by step process for reconciling the till cash float at the end of each day.

It is standard practice that another staff member cross-checks the cash float and counter-signs the receipting report for the day.

Findings

- (a) It would be helpful to include in the procedure manual the practice of another staff member verifying the cash float and cash takings for the day, including counter-signing the receipting reports.

5.11.2 Cash collected is accounted for correctly

Comments

It is standard practice that another staff member cross-checks the cash takings and counter-signs the receipting report for the day.

Cash is also collected at the Gnowangerup library for old book stock and for lost book fees.

Findings

- (a) It would be helpful to include in the procedure manual the practice of another staff member verifying the cash takings for the day, including counter-signing the receipting forms.
- (b) The library should issue receipts for any cash collected so that there is an audit trail of how much cash was received, from whom, on what date, and for what purpose.
- (c) A daily takings reconciliation should also be completed so there is a clear audit trail of the cash takings received on any day.

5.11.3 Cash floats at outstations are reconciled at the end of each day and is periodically checked by management

Comments

Employees at the swimming pool have a cash register float of \$200. Current practice is for cash register tapes, along with cash takings to be presented to the Administration Office, with the cash count and register tape to be reconciled by the Customer Service Officer. There is no evidence that the cash float of \$200 is balanced each day as no daily taking sheet is compiled, which would usually include a float reconciliation table.

The swimming pool has a food and drink vending machine that contains a cash float of \$142. Current practice is one employee empties the vending machine and delivers cash takings to the Administration Office about once per month. No reconciliation sheet of cash collected is currently completed, as the local government has had difficulty in identifying the appropriate mechanism to perform a reconciliation against.

Findings

- (a) The introduction of a daily takings reconciliation sheet for swimming pool entry takings and reconciliation of cash register float are appropriate internal control measures that should be implemented.
- (b) The local government should consider recording sales from the vending machine based on stock replenishment figures, either daily or weekly, and use this as the basis of performing a reconciliation for cash takings collected.

5.11.4 Petty cash is recouped on a regular basis and reconciliation is approved by supervisor

Comments

The local government recoups petty cash on an as needs basis, most often being quarterly. Petty cash reconciliation worksheets are completed; receipts are attached to the worksheet. Remaining cash is counted by two employees to verify cash balance and recoup amount. Management cross-checks recoup to receipts and authorises recoupment.

Findings

- (a) The systems, procedures and processes in place for Petty Cash Recoups are considered appropriate.

5.11.5 Physical stock on hand is checked and reconciled to stock register on a monthly basis

Comments

Only diesel fuel is kept as stock.

The local government takes weekly fuel dips to monitor physical stock levels. At the Gnowangerup depot fuel issues are recorded via an electronic swipe card system. Each plant item is allocated a card, which is then used to record the litres of fuel issued. A download of the weekly fuel issues is exported into an excel file.

At the Ongerup depot fuel issues are recorded on a manual fuel worksheet and recorded against the plant number. These are faxed through to the Administration Office weekly.

Stock receipts for each depot are obtained from fuel supplier invoices and are included in the weekly fuel reconciliation.

Findings

- (a) Based on stock reconciliations reviewed, variations of up to 300 litres per month are occurring. To identify the cause of the variations, it is suggested that the weekly fuel issues worksheet be amended so that meter readings can be written down after each fuel issue, so that tracking of the meter reading to the actual litres of fuel issued can be performed and be compared to the closing fuel dip. This will allow for any erroneous readings to be identified.

6.0 FINDINGS

Key findings arising from the Legislative Compliance and Internal Control Review are as follows:

Internal Monitoring of Compliance with Legislation and Regulations

- (1) The implementation of a compliance checklist would reinforce that all statutory requirements have been met for compliance items identified on the Annual Compliance Calendar.
- (2) Regular reviews of *Government Gazettes* would provide an additional control mechanism for monitoring changes to legislation that may affect the local government operationally and strategically.
- (3) The incorporation of the compliance obligations under the Water Service Act, Regulations and Licence into the existing Annual Compliance Calendar would provide appropriate control mechanisms, ensuring obligations are reviewed on a regular basis and compliance timeframes are met.

Annual Compliance Audit Return and Reporting to Council the Results of that Review

- (4) The implementation of a compliance checklist to complement the Annual Compliance Calendar would provide a certain level of comfort that all statutory requirements are being met.

Staying Informed About How Management is Monitoring the Effectiveness of its Compliance and Making Recommendations for Change as Necessary

- (5) Clause 2.3(l) of the Terms of Reference of the Audit Committee requires the Committee to meet at least quarterly.
- (6) The local government should consider reviewing the Terms of Reference for the Audit Committee and remove references to functions not performed, such as internal audit.
- (7) The local government does not have an Internal Control Policy
- (8) The local government does not have a Legislative Compliance Policy
- (9) It would be helpful for all Council Policies to contain an objective, so there is clear understanding of the intent of the policy.
- (10) All policies should be reviewed to ensure they meet obligations under legislation and/or contain a policy framework that provide clear guidance to staff. For example, the local governments' Purchasing Policy should be reviewed to ensure the requirements under Regulation 11A of the *Local Government (Functions and General) Regulations 1996* are contained within the policy.
- (11) Some procedure manuals could be enhanced with additional screenshots to provide users with visual prompts on how to perform the procedure.

- (12) Process maps have not been prepared for any processes/procedures.

Review Whether the Local Government has Procedures for it to Receive, Retain and Treat Complaints, Including Confidential and Anonymous Employee Complaints

- (13) The local government does not have a formal complaints procedure.
- (14) The local government does not have a procedure that deals with confidential and anonymous employee complaints.
- (15) The local government does not have an internal procedure relating to Public Interest Disclosures, as required by the Public Interest Disclosures (PID) Act.
- (16) The local government does not have a procedure to handle complaints about elected member official conduct matters.

Review Whether External Auditors have regard to Compliance and Ethics Risks in the Development of Their Audit Plan and in the Conduct of Audit Projects, and Report Compliance and Ethics issues to the Audit Committee

- (17) An external audit plan is not prepared each year and provided to the local government.

Assess the Local Governments' Compliance Framework Dealing with Relevant External Legislation and Regulatory Requirements

- (18) The local government does not have a Governance Manual.
- (19) The Annual Compliance Calendar does not address any of the compliance requirements relating to the Water Services Act, Water Services Regulations and the Water Services Operating Licence conditions for the Ongerup Effluent System.
- (20) The regular use of business plans for key activities and major projects will assist identify compliance requirements, development of risk profiles and financial modelling risks.

Review Audit Committee's Processes and Procedures Regarding Compliance with Legislation and Regulatory Requirements Imposed on Members Including Not Misusing Their Position to Gain an Advantage for themselves or another, or Cause Detriment to the Local Government, and Disclosing Conflicts of Interest

- (21) The local government does not have a Governance Manual.

Limit of Direct Physical Access to Assets and Records

- (22) The local government does not have an IT Security Policy and Procedure.
- (23) There is a weakness in IT security protocols that provides any user with direct access to electronic records via a network drive in a Remote Session, without the need to utilise the SynergySoft interface.

- (24) The control mechanism of recording the checking out of physical files on a whiteboard is considered a weakness as it is not a permanent record. It removes the accountability to trace the last officer who accessed and removed the physical file from the filing system.
- (25) To reduce risk of unencumbered access to IT hardware, it is suggested that the IT hardware cabinet be locked, with keys being held by the local governments' IT administrator.

Control of Computer Applications and Information Systems Standards

- (26) The local government does not have an IT Security Policy and Procedure.
- (27) There is a weakness in IT security protocols that provides any user with direct access to files and folders via a network drive in a Remote Session.
- (28) The local government does not have an IT Disaster Recovery Plan.
- (29) The local government does not undertake annual full system restores to test whether the back-up regime is working, and full system recovery can be achieved.

Limit Access to Make Changes in Data Files and Systems

- (30) There is a weakness in IT security protocols that provides any user with direct access to files and folders via a network drive in a Remote Session.

Regular Maintenance and Review of Financial Control Accounts and Trail Balance

- (31) An ageing profile report for Rates is not run at the end of each month.

Report, Review and Approval of Financial Payments and Reconciliations

- (32) It is suggested the Accounts Payable procedure also document the matching process of the purchase order with the supplier invoice; ensure the proper number of quotations have been received; and a check is performed on the approval threshold for purchase orders.
- (33) The inclusion of screenshots of data entry screens may assist a user that is not familiar with the Accounts Payable process.

Comparison of the Result of Physical Cash and Inventory Counts with Accounting Records

- (34) It may be helpful to include in the Customer Services Officer Procedure Manual, under cash receipting, the practice of another staff member verifying the cash float and cash takings for the day, including counter-signing the receipting reports.
- (35) The library should issue approved receipts for any cash collected so there is an audit trail of how much cash was received, from whom, on what date and for what purpose.
- (36) A daily takings reconciliation worksheet should be completed by the library so there is a clear audit trail of the cash takings received on any day.

- (37) The introduction of a daily takings reconciliation worksheet for the swimming pool, and reconciliation of cash float in the cash register, are appropriate internal control measures that should be implemented.
- (38) The local government should consider recording sales from the vending machine based on stock replenishment figures, either daily or weekly, and use this as the basis for performing a reconciliation of cash takings collected.
- (39) It is suggested the weekly fuel issues worksheet be amended so that meter readings can be recorded after each fuel issue. This will allow the tracking of the meter reading to the actual litres of fuel issued and allow comparison to the closing fuel dip. This will allow any erroneous readings to be identified.

7.0 IMPROVEMENT RECOMMENDATIONS

As a result of the findings, the following improvement recommendations are made:

- (1) That the CEO consider the implementation of a compliance checklist detailing the statutory obligations to be met for the compliance items identified on the Annual Compliance Calendar.
- (2) That the CEO consider instituting regular reviews of *Government Gazettes* to monitor for changes to legislation that may affect the local government operationally and strategically.
- (3) That the CEO consider amending the Compliance Calendar to incorporate the compliance requirements relating to the Water Services Act, the Water Services Regulations and the Water Services Operating Licence Conditions for the Ongerup Effluent System.
- (4) That the CEO consider undertaking a review of the Audit Committee Terms of Reference and ensure that quarterly meetings are held in accordance with clause 2.3(l) of the Terms of Reference.
- (5) That the CEO consider implementing an Internal Control Policy.
- (6) That the CEO consider implementing a Legislative Compliance Policy.
- (7) That the CEO consider undertaking a review of the Policy Manual so that:
 - (a) Each Policy contains an objective so that the intent of the policy is clear; and
 - (b) Each policy meets the obligations under legislation or contains a policy framework that provides clear guidance to staff.
- (8) That the CEO consider updating internal procedure manuals with additional screenshots to provide users with visual prompts on how to perform the procedures.
- (9) That the CEO consider process mapping procedures to assist visual interpretation and to identify weaknesses in internal controls.
- (10) That the CEO consider implementing a formal complaints procedure, which also addresses confidential and anonymous employee complaints.
- (11) That the CEO implement an internal procedure that meets the requirements of the Public Interest Disclosures Act.
- (12) That the CEO consider implementing a procedure that details the process of handling complaints about elected members under the Official Conduct Rules.
- (13) That the CEO consider implementing a Governance Manual that provides sound guidance on the corporate governance framework that applies to the local government.
- (14) That the CEO consider implementing an IT Security Policy and an IT Security Procedure.
- (15) That the CEO hold discussions with the external IT provider to identify a resolution to the weakness in the IT security protocols relating to networked drives in a Remote Session.

- (16) That the CEO consider reviewing the procedure and protocols for checking out physical record files from the secure storage room.
- (17) That the CEO direct that the IT hardware cabinet be locked, and access keys remain with the local governments' IT administrator.
- (18) That the CEO consider implementing an IT Disaster Recovery Plan that contains annual disaster recovery tests of full system restores.
- (19) That the CEO consider implementing an internal procedure to ensure that an ageing profile report for Rates be run each month.
- (20) That the CEO consider updating the Accounts Payable internal procedure, so it addresses the full process from initiation to completion, including the insertion of relevant screenshots to provide users with visual prompts on how to perform the procedure.
- (21) That the CEO consider updating the cash receipting internal procedure so that it includes the practice of another staff member verifying the cash float and the cash takings for the day.
- (22) That the CEO implement the use of an approved tax receipt being issued at the library for any cash collected so there is an audit trail of the amount of cash received, from whom it was received, on what date it was received and for what purpose it was received.
- (23) That the CEO consider implementing a daily takings worksheet at the library to account for any cash collected on a daily basis.
- (24) That the CEO consider implementing a daily takings worksheet for the swimming pool to record daily attendances, and to reconcile the cash float in the cash register and the daily cash takings received from pool entry fees.
- (25) That the CEO consider implementing a vending machine sales reconciliation worksheet, based on stock replenishment figures, which can be used as the basis for performing a reconciliation of cash takings collected, and that two people be present when cash is removed from the vending machine.
- (26) That the CEO consider implementing amendments to the fuel issues worksheet so that bowser meter readings can be recorded along with each fuel issue undertaken.

8.0 OPINION

The review of the Legislative Compliance and Internal Control mechanisms developed by the Shire of Gnowangerup indicates that, except for those matters identified in the findings and recommendations section of this report, they are appropriate and effective for the particular operations and size of the local government.



Local Government (Audit) Regulation 17 Risk Management – Appropriateness & Effectiveness

Version: 1.0 Final

Shire of Gnowangerup

Prepared by: LGIS Risk and Governance

Table of Contents

Executive Summary.....	1
Summary Recommendations.....	1
Risk Management Considerations	2
Risk management system.....	2
Risk Management Policy.....	2
Risk Management Procedures.....	2
Risk Management Governance Framework Document	2
Current Risk Profiles	2
Recommendations	3
Business Continuity / IT Disaster Recovery.....	4
Recommendations	4
Managing material operating risks in accordance with tolerance	5
Non-compliance	5
Accounting judgements / estimates	6
Litigation and claims.....	6
Fraud and misconduct.....	6
Significant business risks	7
Recommendations	8
Audit Committee Practices.....	9
Recommendations	9
Insurable Risks	10
Unusual transactions	11
Procurement Framework	11
Appendix 1 – Current Risk Dashboard	12
Appendix 2 – Insurance Profile	13

Executive Summary

The Shire of Gnowangerup (the 'Shire') engaged LGIS to review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management. The Chief Executive Officer (CEO) has a regulatory obligation to report this (together with internal control and legislative compliance) to the Audit Committee at least biennially.

The Department of Local Government, Sport and Cultural Industries provided guidance for the areas that should be considered for this review (Operational Guideline #9 Appendix 3). These specific areas have been addressed to provide the basis and format for this review. A combination of documentary evidence and discussions with Shire staff has provided the foundation for information provided in this report.

The Shire implemented a Risk Management Framework ('Framework') in 2014 and that structured approach has remained since implementation. The Shire's risk maturity has since progressed and the Framework structure now needs to be enhanced and broadened to allow the Shire to further develop in this area.

The Shire's Framework classifies all risks under three main contexts:

1. **Strategic Risks** – these risks are identified through the Strategic Community Plan and associated informing plans / strategies. The mitigation activities are documented through the Corporate Business Plan and the status tracked and reported regularly and through annual Council reports. Whilst the full application of the risk 'process' is not documented (e.g. risk assessment); the base principle of identifying and managing risk is apparent.
2. **Operational Risks** – these risks are formally managed through the use of risk profiles, covering all operations of the Shire. The components of the individual risk profiles (e.g. risk ratings / control effectiveness / mitigation treatments) are regularly reviewed and have these components have not changed since inception.
3. **Project Risks** – the process for identifying and managing small project based risks are reliant upon the skills and knowledge of the Shire's project 'representative'. Risks for Large / Major Projects are generally assessed by external entities engaged to plan or deliver upon the project and are deliberated by the Shire's Executive and Council. Specific proposals provided to Council contain a requirement to address the risks associated with the proposal.

The Audit Committee accepted the CEO's previous report (Regulation 17) in March 2016. Since that time there have been no further formalised risk reports requested or provided. It should be noted however that Council (and therefore Audit Committee) are aware of the strategic objectives and the performance of activities to deliver; in addition they are involved in deliberations for major projects as they arise. Whilst not formalised under the Framework, risks are identified and managed.

Notwithstanding the recommendations in this report, the Shire's risk management systems and procedures are considered appropriate and effective for the size, scale and resourcing constraints of the Shire.

Summary Recommendations

The high level recommendations from this review will cover

- **Governance** – Review and consolidation of the Risk Management Framework to remove duplication and allow a more flexible approach to incorporate all risk context areas. Provide the Audit Committee with regular 'risk reports' to support their oversight responsibilities in regards to risk management.
- **Risk Profiling** – Consolidate the existing operational risks with the view to reducing profile numbers whilst maintaining the spectrum. Ensure the capture of identified strategic and project risks into the existing reporting format to enhance a holistic approach to risk management.

Risk Management Considerations

Internal control and risk management systems and programs are a key expression of the Shire's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:¹

Risk management system

Guidance Note Component

- *Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered*

The 'system' is considered to be the Shire's Risk Management Framework ('Framework'); which consists of:

- Risk Management Policy (2.11)
- Risk Management Procedures (2.15)
- Risk Management Governance Framework Document
- Current Risk Profiles

Risk Management Policy

The policy as documented in the Policy Manual is simplistic and does not meet the basic requirements of articulating risk management commitment as per ISO 31000:2018. A risk policy does however appear in the Risk Management Governance Framework Document which provides the commitment statement.

Risk Management Procedures

The procedures as documented in the Procedures Manual only provide an overview of the roles and responsibilities, it does not provide for an actual risk management process. The risk process does however appear in the Risk Management Framework Document.

Risk Management Governance Framework Document

This appears to be the overarching document that contains the policy and procedures, in addition to:

- Operating model, governance and document structure
- Accountabilities (roles and responsibilities)
- Reporting requirements
- Risk assessment and acceptance criteria

This document focuses on operational risk by providing a structured approach to risk descriptions and profiling requirements. When this was initially implemented it was considered appropriate as it provided a prescriptive approach to managing common risks across all local governments and allowed the Shire to embed and integrate a risk management process.

Current Risk Profiles

Individual Risk Profiles have been reviewed on a regular basis as evidenced through the minuted Management Meetings (Manex). At this point there are 21 risk profiles covering mainly operational risks, with some inclusion of generic strategic risks (Refer Appendix 1 – Most Current Dashboard).

¹ Extract from Local Government Operational Guidelines #9 Appendix 3 (Opening statement)

Recommendations

1. Replace the Risk Management Policy (2.11) with the policy from the Risk Management Governance Document. This should also contain the risk assessment and acceptance criteria as it provides direction for strategic decision making and should therefore be approved by Council.
2. Review and replace the Risk Management Procedures (2.15) with the procedures from the Risk Management Governance Document. Considerations for the review include:
 - a. Removal of all sections that do not specifically relate to procedures and capture within the Risk Management Governance Framework Document (refer below).
 - b. Removal of the Key Indicator requirements. Due to the scale of operations, the reporting of specific risk / control based key indicators does not add any value. i.e. awareness and management of issues are addressed as they arise; the use of reporting indicators is seen to only add an administrative burden.
 - c. Removal of the Annual Control Assurance Plan requirements. This function is akin to an internal audit and due to resource constraints is also considered an administrative burden. The same benefit can be achieved through adding some structure to the risk assessment (and therefore risk review) process which is already embedded.
 - d. Remove Appendices B & C (Risk Profile Template & Risk Theme Definitions) and references to them in the Procedures. As stated above these were initially included to assist in the embedding of a structured approach to the assessment of pre-identified common risks. The Shire is now in a position to expand this practice to include key strategic and project risks into the reporting process. The concept of having these formalised detracts from the flexibility the Shire is now requiring.
 - e. Ensure the reporting requirements include a dashboard risk report to the Audit Committee at an appropriate frequency (suggest quarterly)
3. Condense the Risk Management Governance Framework so that it only provides an overview of the components of Framework and describes the operating model including roles and responsibilities.
4. Across all documentation:
 - a. Remove references to LGIS Risk Foundation project in 2014. The Shire has now surpassed that original exercise and needs to recognise that the Framework is now theirs.
 - b. Remove references to Regulation 17 where applicable. This Framework supports and assists in addressing the regulatory obligation it does not meet the obligation.
5. Consider:
 - a. Consolidating the existing risk profiles into broader categories for the operational risks; for example, combine 'Business disruption, 'Inadequate organisation and community emergency management' and 'Damage to physical assets' into one profile.
 - b. Reviewing existing strategic components of risk profiles (e.g. Engagement / Community expectations) together with identified risks through the Strategic Community Plan and create key strategic risk profiles as per existing templates.
 - c. Identify current or future major projects and create risk profiles so that risk management can be applied (and documented) through the project lifecycle.

Business Continuity / IT Disaster Recovery

Guidance Note Component

- *Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.*

The Shire has a Business Continuity Framework in place which incorporates:

- Business continuity management procedures and approach.
- Business Continuity Plan.
- Procedures for emergency management preparedness and response.

The plan has not been validated other than desktop reviews and updates of critical business functions. It is also considered to be high level by providing an approach as opposed to detailed steps to apply in the case of a business disruption event.

In terms of appropriateness, the Shire benefits from being a small regional organisation and would not be driven by short (or minimum) recovery time objectives. In addition the ability of the Shire staff and community to work closely together and have a clear understanding of the overall recovery objectives would more than likely result in a successful (albeit slower) recovery.

It is difficult to assess the effectiveness as there has been no formal validation exercise, testing the effectiveness of the business continuity arrangements.

The Shire has recognised the deficiencies in the current business continuity arrangements and is in the process of reviewing the plan and associated procedures.

The IT disaster recovery arrangements are primarily driven by internet availability for the region. As the Shire is reliant upon ADSL the ability to utilise cloud based services for operations and data back-up are limited. Current arrangements involve on site back-ups to USB hard drives and off site data back-ups to the Depot.

There is no formal testing of these arrangements; however the recovery of specific files occurs on a semi regular basis which provides some comfort on functionality.

As internet functionality improves, the Shire is well placed to improve these arrangements and is currently in discussions with their IT service provider to migrate to cloud based back-ups and offsite hosting of systems.

From a cyber risk perspective these existing arrangements may present a higher risk of data encryption issues; however the costs to enhance arrangements would be prohibitive based on current internet speeds.

These risks generally manifest from staff accessing links in emails or other software from inside the protective firewall systems. Improving staff awareness of these risks could be considered appropriate mitigation strategies until internet arrangements improve.

Recommendations

1. Update and refresh the Business Continuity Management arrangements.
2. Continue with the development of an IT Strategy to take advantage of any improvement of the regions internet arrangements.
3. Provide continual staff awareness sessions on the risks associated with opening / clicking on dubious emails and other links, sharing of passwords, the use of unencrypted external media drives, etc.

Managing material operating risks in accordance with tolerance

Guidance Note Component

- *Assessing the internal processes for determining and managing material operating risks in accordance with the local government's **identified tolerance for risk**, particularly in the following areas;*
 - *potential **non-compliance** with legislation, regulations and standards and local government's policies;*
 - *important **accounting judgements or estimates** that prove to be wrong;*
 - ***litigation and claims**;*
 - ***misconduct, fraud and theft***
 - ***significant business risks**, recognising responsibility for general or specific risk areas, for example, **environmental risk, occupational health and safety**, and how they are managed by the local government.*

The Shire does not have a formal risk appetite or tolerance guidance statement. As this would require Council approval the development of this statement should be delayed until the Framework has matured further and the Audit Committee has had an opportunity to become more involved in the risk process. Whilst there are definite benefits in developing a Risk Appetite Statement (RAS), supported by tolerances; to be effective, this will need to be developed in line with overall risk maturity.

At this point, 'tolerance' is driven by the Shire's risk acceptance criteria at an operational level and the Council's appetite on specific areas or proposals (at the time of decision). The Shire's risk acceptance criteria is as follows:

Shire of Gnowangerup Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW (1-4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE (5-9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH (10-16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Director / CEO
EXTREME (20-25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Non-compliance

The Shire has identified 'Failure to fulfil statutory, regulatory or compliance requirements' as a low risk. The residual risk rating is driven by the key controls being rated 'effective':

- Constant review of the Compliance Calendar.
- Use of the Compliance Annual Return as a detective mechanism to identify any potential non-compliance issues and ensure the currency of the Compliance Calendar.
- Maintaining subscriptions and memberships with appropriate external entities to ensure the Shire is fully aware of any potential changes or emerging issues.

The combination of residual risk and control ratings fits within the Shire's risk acceptance criteria.

Once the report component on 'Legislative Compliance' is accepted, this risk profile should be reviewed in line with any findings and / or recommendations.

Accounting judgements / estimates

In the current environment where the Shire is subject to a reducing rates base, State Government cost shifting, increased asset maintenance or renewal costs and grant funding reductions, the focus on financial sustainability becomes a key strategic risk.

Business case development together with project management planning and delivery should be considered as potential controls for mitigating this risk.

The Shire currently has profiled two risks related to this area:

1. 'Inadequate project / change management' – current listed as a high residual risk with adequate controls. Discussions indicate that whilst project status reporting is adequate, the risk assessments, business case development and general methodical approach to moving from concept to project delivery does not meet the 'control tests' for adequate and should be rated as inadequate.
2. 'Inadequate asset sustainability practices' – currently listed as a moderate residual risk with inadequate controls. The Shire is continually improving their Asset Management Strategy through implementing asset management principles and system support.

Traditionally, the Shire has a practice of engaging external parties to prepare business cases in relation to large projects. These are then reviewed internally and informally with Council initially until a formal recommendation is submitted to Council.

The Shire also has a template for business cases which is designed to identify and consider relevant risks (amongst other project considerations). It has not been used independently as they have relied on the external reports in conjunction with internal and Council deliberations for risk assessment.

The Shire would benefit from formalising a project management and business case approach to ensure that appropriate risk management is incorporated into Council financial decision making.

Litigation and claims

The Shire did not identify any existing or credible, substantiated potential litigation. These risk events are difficult to assess where the normal course of operations does not generally attract litigious activity. In the last two years there have been two claims on the Shire from a Liability perspective, neither of which met the base threshold from a financial impact perspective.

Liability Claims

Claim #	Cause (Roads)	Description	Date	Cost
LI0026887	Maintenance/Repairs	Drove over windrow during grading	11/10/2016	\$2,401
LI0036569	Road Surface/Potholes	SVA: lost control of vehicle due to flood damaged road (Denied Claim)	1/10/2017	Nil

The Shire's approach once the potential for claim or litigation arise is to advise their Insurer immediately so that appropriate mitigation activities can begin to contain or reduce the potential consequences or likelihood of occurrence.

Fraud and misconduct

Additional Guidance Note Component

- *Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

The Shire has profiled 'Misconduct' as a moderate risks with overall adequate controls. This is acceptable under Shire's risk acceptance criteria and so no additional actions have been identified.

The Shire has also affirmed that their controls covering the procurement function are rated as effective.

Audit reports over the last two years that whilst there are limitations in the audit process they did not identify or suspect fraudulent activity.

The current Code of Conduct provides direction on the expected behaviours of staff and elected members. It expressly provides guidance on the expectations in relation to the:

- Statutory environment,
- Roles and relationships between Council, CEO and Staff
- Conflict and disclosures of interest
- Use of confidential information
- Gifts & Hospitality
- General Conduct
- Reporting of Breaches and Misconduct

The latter section describes an approach to dealing with potential cases of fraud or misconduct, however could benefit from:

1. A more assertive response (e.g. Change '...may be reported...' to "should be reported...") to instil a moral obligation to report potential incidents
2. Regular reminders to Staff / Elected members. (Note: Annual reminders would be considered appropriate, however it is unknown at the time of this report as to whether this process is already in place).

Once the report component on 'Internal Control' is accepted, this risk profile also should be reviewed in line with any findings and / or recommendations.

Significant business risks

Environmental risk

The Shire has identified 'Inadequate environmental management' as a high risk with overall adequate controls. This risk profile was last reviewed in February 2016; since then the Shire has progressed improvements in the identified deficiencies in landfill site management and the Ongerup Waste Ponds.

Indicative discussions with the Shire's Asset and Waste Management Coordinator suggest that the control ratings could be improved and the residual risk reduced.

The Shire should now revisit this risk profile in line with the current status of activities and re-assess the whether this risk is now within the Shire's tolerance.

From a strategic perspective the Shire has also identified that the regions limited pollution and conservation of natural flora and fauna as risk opportunities to drive positive outcomes for the Shire. These considerations should also form part of the risk profile re-assessment.

Occupational safety and health

The Shire has identified 'Inadequate safety and security practices' as a high risk with overall adequate controls. This was reviewed in February 2017 and there have been improvements made since that time which are not reflected in the risk profile.

The combination of control and risk ratings do not meet the Shire's acceptance criteria, however they are actively working towards constant improvements. Examples include:

- Improving Contractor Management (including the Induction process).
- Developing safe work method statements.
- Integrating the use of 'Plant Assessor' to assist in risk assessment and management practices.

Feedback from the Shire's Regional Risk Coordinator (Monty Archdale) suggests that the Shire is proactive in improving the controls for this area of risk.

Other significant business risks identified include:

Through the Integrated Planning and Reporting process or operational risk profiling, the Shire has identified the following (where not already considered in this report):

- **Community Disruption** – Due to severe weather events, bushfire or other disaster that may affect the community; active planning is in place through the Local Emergency Management Arrangements.
- **Political Risks** – Due to change of government, royalties for regions, impact on ability to provide affordable living and aged housing projects.
- **Shire Demographics** – Decline in population and the need to attract residents, where they may come from and considerations for improving the negative trend. There also consider the issue of volunteer rates within the community and the potential for volunteer burn out.
- **Technology** – Specifically the difficulty in obtaining high speed internet and the impacts on the business community from online shopping trends.
- **Workforce** – Aging workforce and the inability to attract or retain staff. This also considers the impact of changing regulatory landscape together with community expectations in being able to resource appropriately based on financial constraints.

Recommendations

1. Review the 'Failure to fulfil statutory, regulatory or compliance requirements' risk profile in line with the outcomes of the Legislative Compliance component of this report.
2. Review the Code of Conduct and consider including a more assertive approach to report potential misconduct / fraud breaches. In addition confirm a process that ensures the Code is reminded to all Staff and Elected Members on an annual basis (if not already).
3. Consider developing / adopting a standard project management approach which encapsulates appropriate business case development and associated risks are highlighted and managed throughout the project lifecycle.
4. Create a strategic risk profile covering Financial Sustainability and assess accordingly.
5. Review all existing risk profiles with the view to consolidation of operational risks and the inclusion of key strategic and project risks.

Audit Committee Practices

Guidance Note Components

- *Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.*
- *Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.*
- *Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.*

The Local Government Act and Regulations stipulate that each local government is to establish an Audit Committee. Where a Council considers it appropriate, the whole Council can be appointed to the Audit Committee. This approach has been adopted by the Shire's Council.

The role of the Audit Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, **risk management systems**, internal and external audit functions and ethical accountability².

A review of the Audit Committee official minutes highlighted the following activity:

- 23rd March 2016
 - Accepted the CEO's previous report on the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance.
- 24th August 2016
 - Received and noted the 2016 Financial Management Systems Review.
- 23rd November 2016
 - Adopted the Annual Financial Report for the year ended 30th June 2016; accepted the audit report for 2015 – 2016 financial year and received the Auditors Management Report for the year ended 30th June 2016. The Auditor was present at this meeting and committee members were reminded about and provided a copy of the Operational Guidelines Number 9 – Audit in Local Government.
- 15th February 2017
 - Accepted the Compliance Annual Review for 2016 calendar year.
- 23rd August 2017
 - Received a presentation from the Auditor on changes to the Australian Accounting Standards.

There is evidence of the Audit Committee reviewing financial and audit reports in addition to meeting the Auditor as per the regulatory requirements. There is no evidence of any regular risk reports being considered or requested from the Audit Committee. A 'Terms of Reference' for the Audit Committee was provided, which is covered in the Legislative Compliance component of the overall report.

Recommendations

1. Provide the Audit Committee with quarterly Risk Dashboard reports detailing the current risk and control environment faced by the Shire.

² Local Government Operational Guidelines #9

Insurable Risks

Guidance Note Component

- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.

All insurance products are arranged through Local Government Insurance Services (LGISWA) and are formally reviewed on an annual basis.

Formal renewal meetings are generally held in February with the insurable periods being based on the financial year. The formal renewal meeting was conducted on the 8th February preparing the Shire for the 2018/19 financial year. The current period is still current and the current insured risks are detailed in Appendix 1

Regular contact is maintained with the LGISWA to ensure that relevant exposures are appropriately covered.

The Shire also has a documented procedure for managing insurance claims.

The following tables itemise the recorded claims made against the Shire over the last 2 years. From a hindsight perspective the potential for insurance claims to be upheld would appear to be a high risk (based on actual financial consequence and likelihood expectations). As the Shire has addressed these issues as opportunities to improve internal processes the likelihood of maintaining the same financial consequence is lower, reducing the overall residual risk.

Motor Fleet Claims

Number	Claim #	Fault	Description	Date	Cost
GN00	3551815	Insured	The IV reversed into the TPV	18/02/2017	\$2,248
GN0020	557373	Third Party	IV window damaged by rock	29/03/2017	\$1,504
GN0024	3555266	Insured	While servicing, bull-bar hit grill.	01/07/2016	\$2,090
GN0044	3533954	Insured	A stump hit the fuel tank of IV	19/09/2016	\$2,478
GN006	3541314	Insured	Driver lost control and hit side railing	29/11/2016	\$20,280
GN010	3563712	Third Party	TP failed to yield to insured	11/05/2017	\$2,139
GN046	3561295	Insured	Fence wire damaged insured ute	10/05/2017	\$2,838

Property Claims

Claim #	Cause	Description	Date	Cost
PR0015859	Vandalism/Malicious Damage	Reticulation pump vandalised Gnowangerup Bowling Club, Garnet Road	16/06/2017	\$7,417.28

Workcare Claims

Claim #	Cause / Causing	Description	Date	Cost
25589	Being hit by moving objects (hand). Contusion, bruising and superficial crushing	Wind blew causing grader door to shut on left hand. Left hand bruising and cut.	08/07/2016	\$740
25897	Muscular stress while lifting, carrying, or putting down objects (lower back) back pain, lumbago, and sciatica	Lifting grader blades. Lower back injury	26/10/2016	\$4,065
26653	Being hit by falling objects (eye) Foreign body on external eye, in ear or nose or in respiratory, digestive or reproductive tract	Using angle grinder to cut bolt. Foreign body right eye	30/06/2017	\$575

Unusual transactions

Guidance Note Component

- *Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.*

The Delegation Framework provides for authority to be passed to relevant officers based on financial and transaction types that would constitute 'usual transactions'. Any transaction that is not referenced within this framework would be considered 'unusual' and would require Management / DCEO / CEO / Council oversight and approval to proceed.

From a financial and / or investment transaction perspective, policies and their associated procedures and reporting frameworks provide assurance that all transactions do not expose the Shire to unacceptable risks. These include the;

- Investment Policy – ensures the investment portfolio is contained within a framework that provides tolerances for credit quality and spread of investments.
- Purchasing Policy – driven by the Local Government Act and Regulations, it is supported by a Purchasing Procedures document that sets out the procedures to be applied for all purchases.

Auditors are also required to test samples of journal entries of which the latest review identified no irregularities towards unusual or high risk transactions.

The Shire does not have any associations with activities, events or businesses that could be considered unusual.

Procurement Framework

Guidance Note Component

- *Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.*

The Shire has identified 'Inadequate procurement, disposal and tender practices as a moderate risk with adequate controls; which meets the Shire's risk acceptance criteria. An example (Contracted Gardening Services) was provided for discussion which may have resulted in a breach. Whilst considered a 'near-miss'; it was identified and rectified prior to the awarding of the contract.

The Shire advised that the process was reviewed following the incident which indicates an effective control environment.

Appendix 1 – Current Risk Dashboard

Executive Summary				
This risk report dashboard highlights the current Risk & Control ratings together with any current actions / treatments underway. The individual profiles are discussed each fortnight by the Management Team.				
Misconduct		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Business Disruption		Risk	Control	
		Moderate	Inadequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Determine site of alternative office for emergency situations	Mar-16	DCEO/Manex		
If required, develop MOU with responsible body of alternative office site	Jun-16	DCEO		
Complete templates in BCP (including timeframes)	Jun-16	DCEO/Manex		
Damage to Physical Assets		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Conduct asset inspections	Ongoing	MW & AWMC		
External Theft & Fraud (inc. Cyber Crime)		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Policies and procedures to be reviewed	Ongoing	CEO		
Monitor IT Security	Ongoing	DCEO, EA, External Support		
Review Insurance coverage annually	Ongoing	DCEO, SFO		
Failure to fulfil statutory, regulatory or compliance requirements		Risk	Control	
		Low	Effective	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Review Compliance Calendar Monthly	ongoing	CEO		
Improved Council Induction	ongoing	CEO		
Regular Information to councillors regarding declarations of interest	ongoing	CEO		
Providing inaccurate advice / information		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Inadequate Document Management Processes		Risk	Control	
		Moderate	Effective	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Monitoring of the record keeping plan	Ongoing	DCEO		
Record Audits	Ad hoc	DCEO		
Develop new record keeping plan	Dec-18	Records Consultant		
Inadequate engagement with Community / Stakeholders / Elected Members		Risk	Control	
		High	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Create Customer Satisfaction Survey every 3 years	Nov-18	CEO		
Relevant focus groups as required	ongoing	CEO		
Inadequate Asset Sustainability Practices		Risk	Control	
		Moderate	Inadequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Asset Management Framework Review	ongoing	DCEO/POLH		
Develop a Building Maintenance Program	Jun-16	DCEO/MW		
Inadequate Supplier / Contract Management		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Inadequate Environment Management		Risk	Control	
		High	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Landfill site plans				
Recycling data from Warren Black wood Waste CCTV and electric gates for landfill sites				
Ineffective Management of Facilities/Venues/Events		Risk	Control	
		Low	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Errors, Omissions & Delays		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Regular management monitoring and reporting	ongoing	DCEO		
Manage Staff Workloads	ongoing	Managers/Supervisors		
Failure of IT &/or Communications Systems and Infrastructure		Risk	Control	
		Low	Effective	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Inadequate safety and security practices		Risk	Control	
		High	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Improve Contractor / Site Induction process	Jun-17	OSH Committee		
Inadequate Organisation and Community Emergency Management		Risk	Control	
		High	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Follow up Bushfire Risk Management Plan	Sep-17	DCEO		
Inadequate Project / Change Management		Risk	Control	
		High	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Inadequate Procurement, Disposal or Tender Practices		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Review list of authorised persons	Mar-18	DCEO		
Inadequate Stock Management		Risk	Control	
		Low	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
No current actions required				
Ineffective People Management / Employment Practices		Risk	Control	
		Moderate	Adequate	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Performance Management Policy/Process	Dec-17	DCEO		
Reward and Recognition Program	Ongoing	CEO		
Not meeting Community expectations		Risk	Control	
		High	Effective	
Current Issues / Actions / Treatments	Due Date	Responsibility		
Develop Community Strategy (including community engagement)	Aug-18	MCS		
Review of service levels	Aug-18	MCS		
Note: To add in additional rows, click in the cell and drag it down as shown in the theme above. This will bring the hyperlinks into the new cell.				

Appendix 2 – Insurance Profile

Insurance Class	LGISWA cover	Scheme	Limits	Excess/Deductible	
Casual Hirers Liability	LGIS Liability		Aggregate Limit	\$10,000,000	Each Claim \$500
Crime	LGIS Liability		Any One Person	\$500,000	Each Claim \$1,000
LGIS Bush Fire	LGIS Bush Fire		Aggregate Limit	Unlimited	Each Claim Nil Excess
LGIS Liability	LGIS Liability		Public Liability Products Liability Professional Indemnity	\$500,000,000 \$500,000,000 \$500,000,000	Libel and Slander Public Liability Professional Indemnity \$5,000 Nil Excess \$5,000
LGIS Property	LGIS Property		Sections One and Two Combined	\$600,000,000	Standard Excess \$1,000
LGIS Work Care	LGIS Work Care		Common Law Cover Journey Injury Capital Benefit Journey Injury Weekly Benefit	Unlimited \$300,000 \$2,500	Each Claim Nil Excess

Insurance Class	Insurance Company	Limits		Excess/Deductible	
Corporate Travel	Chubb Insurance	Death and Capital Benefit Weekly Benefit up to Aggregate Limit	\$300,000 \$2,500 \$10,000,000	Portable Electronic Equipment All Other Claims	\$250 Nil Excess
Management Liability	Chubb Insurance Australia Limited	Councillors' and Officers' Liability Statutory Liability Employment Practices Liability Cyber Extortion	\$1,000,000 \$2,000,000 \$1,000,000 \$250,000	Councillors' and Officers' Liability Statutory Liability Employment Practices Liability Cyber Extortion	\$5,000 \$2,000 \$12,500 \$5,000
Marine Cargo	QBE Insurance through Key Underwriting	Within Australia Imports Exports	\$400,000 Not Insured Not Insured	Within Australia Imports Exports	\$100 Not Insured Not Insured
Motor Vehicle and Plant	Zurich Australia Insurance Limited	Section One Section Two Dangerous Goods	\$20,000,000 \$30,000,000 \$5,000,000	Basic Excess Capped Excess	\$300 \$30,000
Personal Accident	Chubb Insurance	Capital Benefits Weekly Benefits up to Aggregate Limit	\$300,000 \$2,500 \$10,000,000	Non Medicare Medical Expenses	\$25
Pollution Legal Liability	AIG Australia Limited	Total Aggregate limit across all Members	\$50,000,000	Each and every claim	\$50,000
Cyber Liability	Chubb Insurance Australia Limited	Aggregate Limit	\$1,000,000	Each claim	\$10,000

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5. CLOSURE

There being no further business Presiding Member Cr K House closed the meeting at 4:50pm.